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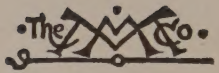
THE STANDARD OF LIVING



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THE STANDARD OF LIVING

ELEMENTS OF CONSUMPTION

BY

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PROFESSOR OF ECONOMICS AND SOCIOLOGY IN THE
OREGON AGRICULTURAL COLLEGE

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To the Memory of
MY MOTHER
THIS BOOK IS DEDICATED

PREFACE

This book is written from the viewpoint of the consumer. It is intended for the college student, the statesman, and the general reader, interested in the problems of consumption. In colleges and universities, it might be used as a basis of a course in consumption, or it might be used as collateral reading in long courses in principles of economics, and agricultural economics. The author has used most of the materials contained in this book as the basis of a course in conservation (consumption), which he has been offering for five years in Oregon Agricultural College. He now offers this volume to the world with the hope that it will partly answer the call for more information on consumption, and with the hope that it will be partly instrumental in stimulating other studies in this neglected field of economics-consumption.

For permission to use Chapter VI, the author desires to thank Mr. Hugh S. Hanna, director of the Bureau of Applied Economics, Inc.; and for permission to use Chapter VIII, the author desires to thank Professor R. C. Brooks, Professor F. A. Fetter, and the Century Company.

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N. H. C.

Oregon Agricultural College
July, 1922

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THE STANDARD OF LIVING

PART I

STANDARDS OF LIVING AND THE FACTORS AFFECTING THEM

THE STANDARD OF LIVING

ELEMENTS OF CONSUMPTION

CHAPTER I

THE NATURE, SCOPE, HISTORY, AND IMPORTANCE OF CONSUMPTION

Definition of Consumption.—A number of definitions have been given for consumption. Professor R. T. Ely defines it as "the use of goods in the satisfaction of human wants."[1]

"Consumption," points out Professor H. R. Seager, "is the part of economics which treats of the relation between wants and the means to their satisfaction, goods."[2]

"Usually when the term consumption is used, we shall refer," says Professor C. J. Bullock, "to the rational destruction of utilities in the satisfaction of human wants."[3]

Perhaps any of these definitions, if properly understood, conveys the correct idea of consumption.

[1] Ely, *Outline of Economics*, p. 132.
[2] Seager, *Introduction to Economics*, p. 63.
[3] Bullock, *Introduction to the Study of Economics*, p. 87.

But too frequently definitions are more or less meaningless till they have been discussed. By way of clarification, therefore, it may be well to describe the two fundamental types of economic goods: Productive and consumptive goods. Productive articles refer to produced instruments used for further production. A plow, a drill, a factory are productive goods, because they are employed to help produce other goods like cereals, fruits, shoes, etc. Consumptive goods are used directly to satisfy human wants, to give satisfaction, as it were. Such articles as coats, hats, shoes and shoe-laces are, therefore, consumptive goods for they directly satisfy consumers' wants.

Some goods, however, are rather difficult to classify unless viewpoints are taken into account. Take, for example, a residence let to a tenant—Is it a productive or consumptive good? From the standpoint of the landlord, it is a productive residence, for it furnishes him an income which may be turned to furthering production—let us say, to purchasing machines to manufacture cloth. But from the viewpoint of the tenant the residence is clearly a consumptive good. It shelters him; it provides a place for the comforts of home. To further exemplify, consider the plumber's automobile. Is it a productive or consumptive good? That depends upon the uses to which it is put. When the plumber employs it to further his business ends, it is a productive machine. But when he uses it for pleasure riding, it is a consumptive vehicle. A third good that falls on the border line between production and consumption is that of

service. Is the service of the physician productive or consumptive in nature? To the physician it is undoubtedly a productive good, for it furnishes him a fee which may be put to productive purposes. But to the patient it is a consumptive good, because he uses it to satisfy his wants directly. If commodities, then, are used directly to satisfy man's wants, for our purposes, we shall consider them consumptive goods. And under the word consumption, we shall study man supplying his wants with consumptive goods—and goods include material objects as well as services.

The Scope of Consumption.—In the author's treatment of consumption the consumer is made the pivot on which discussions swing. The subject matter is divided into two parts. Part I takes up Standards of Living and the Factors Affecting Them. Such subjects as the motives and the laws of consumption, the aims and the order of consumption, the standards of life, the effects of advertising, salesmanship, friendship, bargains, habits, fashions, statutes, adulteration, misbranding, and the factors affecting the well-being of a nation as a whole, are discussed. Part II treats of the Immediate Sources of Consumptive Goods and the Present and Future Means of Acquiring Them. It considers the buying of goods directly from farmers, indirectly from middlemen, consumptive credit, and savings as well as investments.

The Stages of Consumption.—During the Direct-appropriation Stage of economic society consumption was a simple matter. Man secured his

living primarily by appropriating things from nature. He speared fish, shot game, dug roots, and gathered berries. To-day was a feast; to-morrow, a famine. His wants, few in number, were irregularly supplied. Hence consumption was hardly complex enough to be of vital importance as a study.

When the Direct-appropriation Stage gave way to the Pastoral Stage of development, consumption became more varied. Man now had domestic animals, in addition to the products of nature, with which to supply his wants. Life was no longer to-day a feast and to-morrow a fast. Demands were equalized more regularly by supplies. Consumption became more complex, but was yet relatively plain and simple.

As the Agricultural Stage gradually displaced the Pastoral Stage, however, consumption became more vitally significant, because it became more complex. For the first time in history, man now had a fixed abode. Villages grew up, and they produced practically all the things they consumed. Agriculture and home manufacture were the primary means of supplying man's wants. While table fare was relatively simple and home comforts proportionally few and plain in comparison with table menu and home comforts of to-day, consumption nevertheless gained in importance. There was a greater variety of goods in this period than in either of the two preceding stages. Man's increasing control over nature had tellingly shown itself in the fields, where a number of kinds of vegetables, cereals, and fruits were

grown; and in the home, where more and better fitting clothes were manufactured. Goods, too, were more regularly supplied than heretofore. The chief limit to consumption was home production. As a consequence, few of the difficult problems that now perplex the consumer when production is for the market rather than for home consumption, confronted the consumer in those days.

It was the later stages of economic evolution, the Handicraft, and the Industrial, that made rational consumption a problem worthy enough for the best minds to attack. These stages have ushered in cities, large and complex; have divided the industrial field into numerous occupations in which specialization is a prerequisite to efficient production. To-day nearly every workman is a specialist, turning out goods, assembling goods for the market, geographically and chronologically distributing goods in the markets, or performing some other definite task in the economic process of production. No longer are all his goods consumed by himself and family, but marketed and consumed by others as well. He, therefore, must buy commodities in the markets, in order to supply his consumptive wants. To do this is a difficult task. In it he is beset with the problem of knowing what to buy; confronted with the question of knowing when to purchase; and perplexed with the proposition of where and from whom to obtain his supplies. Rational living is no easy matter in these days of speed and rush, of effective advertising and salesmanship.

The Importance of Consumption.—To the individual producer consumption is of great concern. His success in life, be it measured in service or goods of a material sort, is largely dependent upon his ability to work effectively—fast and long. This, in the keen competition of life, requires strength, willingness to work and to plan, intelligence and alertness, a desire to save and to invest.

Now nothing will diminish strength, blur intelligence, destroy alertness and weaken the will power like unwise consumption. Bad habits of eating, of drinking, of sleeping, and of thinking consume the body as a flame consumes dry wood. Good habits of eating, of drinking, of sleeping, and of thinking build up the body as the sunshine, and rain build up plants. Largely by following the laws of health, a weak Roosevelt is changed into a strong, energetic man who "leaves his footprints on the sands of time." No producer can afford to ignore a study of consumption. Without a knowledge of consumption, a producer, in a complex society like ours, can hardly hope to become a wise consumer, and therefore a big successful producer. To-day the goods, which are virtually thrust upon consumers, are altogether too numerous, altogether too varied, to make a wise selection possible, without definite consumptive knowledge.

A study of consumption is, likewise, important to the man who lives mainly to obtain "the happiness this world is capable of, which is nothing but plenty of all sorts of those things which can, with most ease, pleasure and variety, preserve him

ongest in it."[1] But who can determine what hings make for pleasure and what things make or pain without a definite knowledge of the con-tituents of things, of the markets wherein they re sold, and of the relative costs involved in ob-aining them? To err here may mean a quick passage into the "tongueless silence of the reamless dust." Hence the necessity of a study f consumption even for this creature.

Consumption, as a study, however, should not nly appeal to men because it makes them more fficient producers and more appreciative con-umers, but because it may direct them in the roduction of consumptive goods which people emand, are willing to pay for. If a manufac-urer knows what people consume, he is more kely to produce and ship goods that can be narketed. An example here is to the point.

Some years ago an American bicycle manufacturer estab-shed an agency in Japan. A well-known native firm under-ook to market the bicycles in Nippon. After some little me the American manufacturer received an order by cable rom his Japanese agent for two thousand women's bicycles nd five hundred bicycles for men. The order clerk attached memorandum to the order in which he called attention to ne obvious error. In all the experience of the firm the emand for women's wheels had never exceeded the ratio of ne in three. Everybody knew that there was a much greater emand for men's wheels than for women's. Furthermore, who ver heard of Japanese women being active in sports? Plainly, ne Japanese agent had his figures twisted. So on that ssumption the order was filled, a letter being sent to explain nat the error had been caught.

[1] Locke in his Journal. See Boucke, *The Development of Eco-omics*, p. 45.

About three weeks later a cable came from the Japanese agent. It read:

"Bicycles with cross-bars not salable here; men wear skirts. Agency discontinued."[1] Had this manufacturer known the customs of Japan, his agency would have been saved.

It is believed, moreover, that a knowledge of consumption, particularly in the selection and utilization of consumptive goods, may enable consumers to set aside a portion of their earnings for old age. Professor T. N. Carver believes that a wise selection of products for the table would reduce the cost of food about one half.[2] In the course of life this would mean considerable savings; and, if they were properly invested, would mean much to consumers in the evening of life. For it is estimated that more than 90 out of every 100 men, aged sixty-five, are dependent on relatives or the public for support.[3] By these dependents, savings would be welcomed.

From still another angle—that of the wage-earner and the employer—a knowledge of consumption carries weight. During the late World War and immediately following it, prices and wages soared skyward, but not equally. Prices flew more rapidly than wages. As a consequence, laborers cried aloud about the rising cost of living. In some instances, employers recognized the justice of their complaint and graduated wages according to changes in the cost of living. The

[1] Alexander Hamilton Institute, *Satisfying the Foreign Customer*, Business Talk, No. 29, pp. 8–9.
[2] Carver, *Principles of National Economy*, p. 592.
[3] Huebner, *Life Insurance*, p. 95.

standard of life formed the basis of these wage adjustments.[1]

Again, a nation may become strong or weak according as it consumes goods. If, on the one hand, its citizens insist on consuming goods wastefully and producing luxuries primarily instead of necessities, it weakens itself noticeably. If, on the other hand, its citizens consume goods efficiently and produce necessities mainly instead of luxuries, it strengthens itself appreciably.

Now in times of war it makes a tremendous difference whether a nation is strong or weak. If its soldiers are strong, intelligent, and well equipped in the arts of destruction, they are more likely to win in the conflict than if they are weak, unintelligent, and poorly equipped in the arts of destruction. Indeed, when a nation is fighting for its very existence, standards of life may easily determine the outcome in "the whirlwind of the charge where men 'must' become iron with nerves of steel."

Finally, to the public at large the increase in value and quantity of consumptive goods in the United States, as will be noted in Table I, and the probable increase or decrease per capita of consumptive goods in the future, are also sufficient to excite interest in the study of consumption; in fact, to arouse interest and hold it fast. Later chapters deal with the probable future increase or decrease of consumptive goods in the United States.

[1] For further discussion see the *American Economic Review* for September, 1921, pp. 447–465.

TABLE I

THE ESTIMATED VALUE AND QUANTITY OF CONSUMPTION GOODS IN THE UNITED STATES[1]

Census Year	*Total Value in Millions of Dollars*	*Value Per Capita* V	*Price Index* P	*Relative Quantity of Consumption Goods Per Capita* V/P
1850	2,317	$100	139.2	72
1860	4,197	133	141.3	94
1870	5,968	155	221.6	70
1880	9,645	192	132.4	145
1890	15,239	242	113.6	213
1900	20,824	274	101.7	269
1910	32,976	359	126.5	284

[1] King, *Wealth and Income of the People of the United States*, p. 259. The things Dr. King included in the foregoing list of consumption goods are: city residences, churches, theaters, etc., furniture, carriages, automobiles, etc., clothing, personal ornaments, etc., and miscellaneous.

QUESTIONS AND EXERCISES

1. Which is the most important, the production, the consumption or the distribution of wealth?
2. Is production the aim of consumption or is consumption the aim of production?
3. Were the problems relating to consumption as difficult to solve in primitive life as they are to-day? See *National Geographic Magazine* for September, 1921, pp. 295–326.
4. Is per capita wealth a good index to the well-being of a nation? If so, why? If not, why?
5. Does the size of a man's income reflect his standard of living?
6. Enumerate the reasons why every man and woman should study consumption.

CHAPTER II

MOTIVES OF CONSUMPTION

Motives as Mainsprings for Action.—One of the most vital phases of consumption is that of motive. What are the motives that lead people to buy and consume goods? They are numerous and varied.

Self-preservation prompts the purchase of potatoes and bread. Jealousy often leads young men and women to buy pretty clothes that surpass the clothes worn by rivals. At times, theater tickets are purchased to satisfy the desire for another's company. Dress suits, on certain occasions, are worn to hold up the class standard. A blue gown is purchased because it is becoming to the society "butterfly." An expensive banquet is indulged in to give prestige to the hostess and power over her friends. Jimmy wants a cap because Johnny has one. Style says, "Wear straw hats in July," and we wear them. Old-fashioned clothes are cast aside for up-to-date ones because the crowd jeers at the passer-by. Habit says, "Smoke," and the cigar begins burning. "It is only 79 cents," says the clerk, and cloth is bought because it is thought to be a bargain. To keep up a pretense that he is wealthy, a young man makes certain social connections that are costly. A new hat is

bought to match a new suit. Old paintings are purchased to appease a hobby. A social belle spends money extravagantly to show off her husband's wealth; and the foolish husband likewise spends money extravagantly to prove further that he has great wealth. A gymnasium suit is a prerequisite to effective exercise. The United States says, "Wear Khaki," and it is worn. Authority is obeyed to the letter. A new soda drink is tested to satisfy curiosity. To lead five of his chums to buy hats from "Daddy," a merchant's son buys a new straw hat. Twenty-five cents' worth of candy is taken instead of twenty cents' worth in order that the clerk won't think the purchaser stingy. Big potatoes are bought in preference to small ones for the purpose of saving time and labor.

Motives Given for Buying School Dresses and Suits.—The motives given for buying not only vary with articles purchased, but also with the purchasers. The following tables throw considerable light on the motives which led college men and women to buy certain clothes.[1]

A number of facts are reflected in Tables II and III. In the first place, most students have given two or more motives for purchasing dresses or suits. This, perhaps, is to be expected. In buying a suit or dress, it is but natural to make a

[1] The following method was used in obtaining data in Tables II, III, and IV: The author formulated a questionnaire, in which he asked four hundred junior students pursuing his courses in economics at Oregon Agricultural College to place crosses opposite the motives which led them to purchase their last school dresses or suits. These students were to take the questionnaires to their rooms and fill them in; they were then to return them, unsigned, to the author the next time their classes met.

urchase that will give the greatest satisfactions. f one has a taste for blue, one will gratify this esire in purchasing a dress that is to be bought rimarily because it is a necessity. Likewise, if ne needs a suit, one will buy a suit that is in tyle. Ordinarily, two or more birds are killed ith one stone. While this is true in most cases hen necessities are purchased, it does not inevi- ably follow that it is equally true when other oods are bought. In some cases it is quite pos- ible that jealousy or another motive may be the ole determining factor in the purchasing of lux- ries or of comforts.

The second point noted in Tables II and III is ne combination of motives. Different persons ave different motives for buying the same kind f good. These motives may be due to a number f things. First, the fact that persons are differ- nt causes them to act differently. Secondly, dif- erent persons buy the same sort of goods in ifferent cities and towns.

In one city the street jeers may be more scath- ng than in another city; and these jeers would e reflected in the relative importance or unim- ortance of social criticism as a motive. In one ty ideals pertaining to fashion may be stronger an in another city; and the relative importance f such ideals would be shown in the rapidity of ne mad rush for the latest styles. In one city ne home and school training of individuals may ake for more personal efficiency than in another ty; and this fact would accordingly tend to

(*Text continued on page 32*)

TABLE II

THE DISTRIBUTION OF MOTIVES WHICH LED 200 JUNIOR WOMEN IN COLLEGE TO BUY SCHOOL DRESSES OR SUITS

Number of women	*Motive Given*																				No. of dresses or suits bought by each student in year questionnaire was filled out
	Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate a sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	
1																								3
2																								3
3																								4
4		X			X														X			X	X	4
5		X				X						X												4
6						X											X							1
7		X															X							1
8		X				X											X							3
9		X															X							3
10																								3
11		X	X	X	X																			3
12		X									X			X										3
13											X	X		X										3
14		X																						3
15		X				X																		3
16		X				X																		5
17		X				X																		5
18		X				X																		5
19																				X				3
20		X		X														X						5

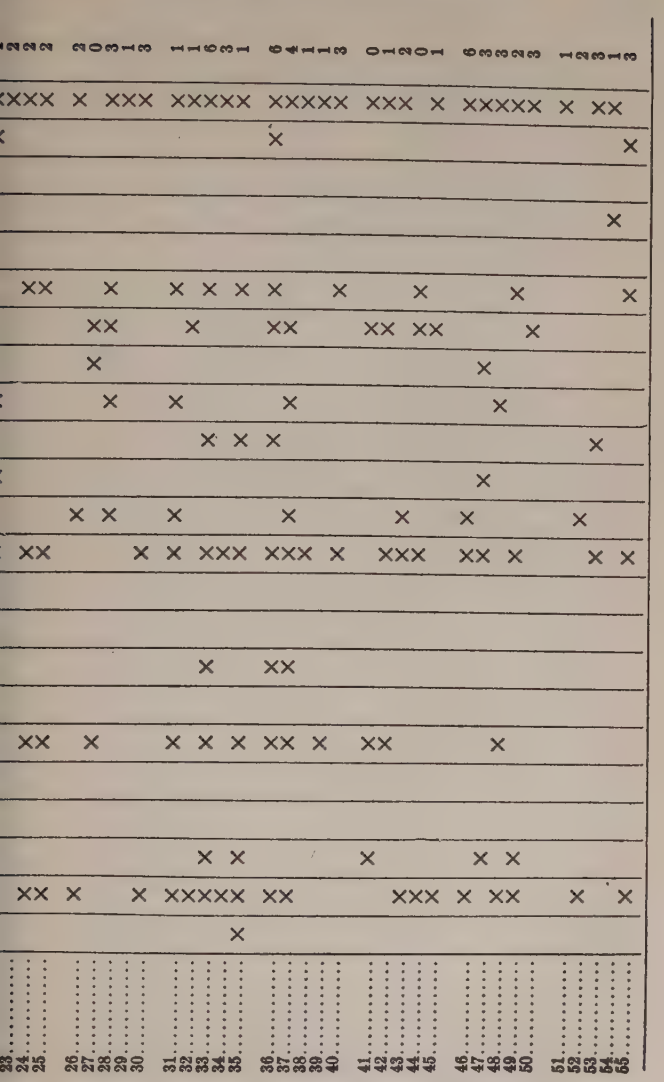
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TABLE II (*Continued*)

Number of women	Motive Given: Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate a sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	No. of dresses or suits bought by each student in year questionnaire was filled out
56		X									X			X									X	2
57		XX										X											XX	3
58		XX									X			X			X						X	1
59		XX									X												X	2
60		X									X			X									X	1
61		XX				X					X		X	X			X						X	4
62						X					X						X							3
63											X													1
64											X													1
65											X													3
66		X									X			X									X	1
67																								1
68																								0
69		X						X			X	X			X			X					XX	0
70						X																		0
71		X				X					X	X		X	X								XX	0
72																								1
73																								1
74																								1

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TABLE II (*Continued*)

Number of women	Motive Given: Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate a sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	No. of dresses or suits bought by each student in year questionnaire was filled out
111		×																					×	0
112																							×	5
113		×																					×	1
114												×					×							0
115																		×				×	×	3
116											×													0
117			×														×						×	0
118																							×	4
119														×						×			×	4
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121												×						×					×	1
122																				×				1
123		×																×						0
124																							×	0
125		×															×							2
126											×		×										×	2
127	×	×				×					×	×	×	×				×			×		×	3
128			×					×			×							×					×	0
129																							×	1

TABLE II (*Continued*)

Number of women	Motive Given: Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate a sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	No. of dresses or suits bought by each student in year questionnaire was filled out
166												×								×		×	×	1
167											×	×											×	1
168											×		×							×				3
169																				×				2
170											×												×	1
171		×																×					×	3
172		×						×			×									×		×	×	1
173		×									×			×									×	1
174		×	×								×							×					×	3
175			×								×	×	×										×	2
176		×																					×	1
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178		×				×					×				×		×	×					×	0
179		×	×		×	×					×		×					×						4
180											×											×	×	2
181		×									×				×			×		×			×	1
182								×			×											×	×	1
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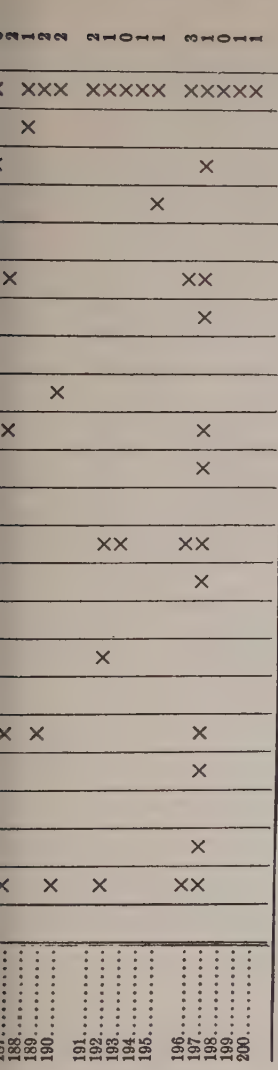
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TABLE III

THE DISTRIBUTION OF MOTIVES WHICH LED 200 JUNIOR MEN IN COLLEGE TO BUY SCHOOL SUITS

Number of men	Motive Given																				No. of suits each student bought in year questionnaire was filled out
	Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	
1			XX			X					X							X					X	1
2																								
3		X									XX													
4																								
5																								
6		XXX				X		X			X			X									XXXXX	5
7											X		X		X			X						
8											X													
9											X						X							
10		X									X			X									XXXXX	5
11		X									XX			X									X	1
12	X	X		X						X	X			X	X	X	X			X		X	X	5
13		XXX									X						X	X					XX	3
14			X					X			X							X						
15		X	X															X						
16			X			X					XX													
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19																								
20											X				X			X					X	2

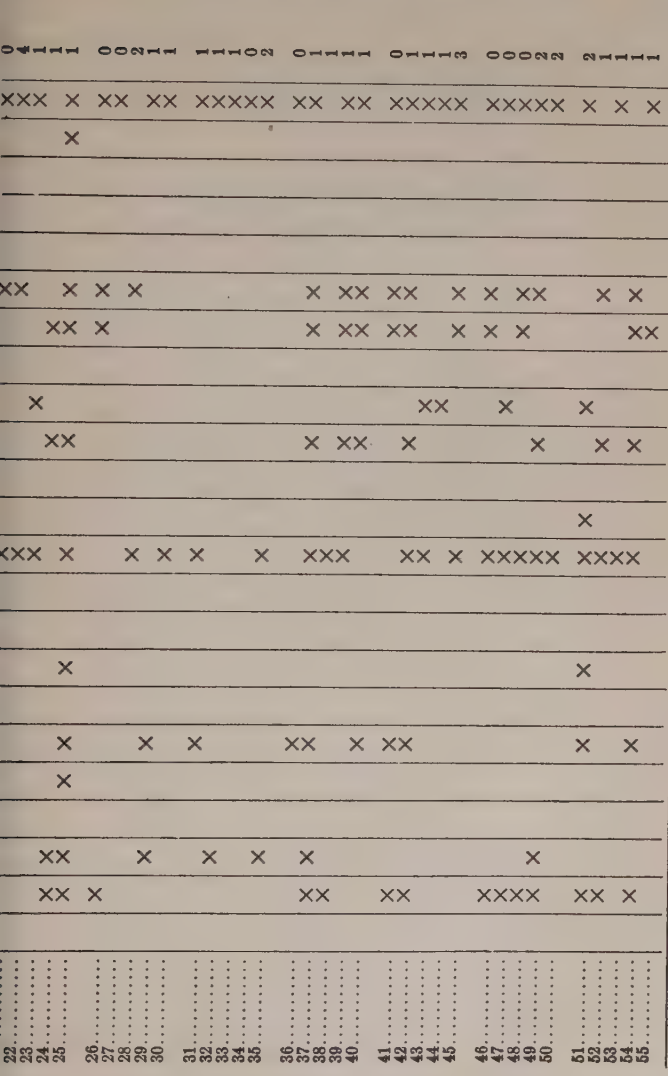
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TABLE III (*Continued*)

Number of men	Motive Given: Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	No. of suits each student bought in year questionnaire was filled out
56																							XX	1
57																							XX	0
58																							XXXXX	2
59																							XXX	1
60																							XXX	2
61											XX							XX					XX	1
62																		XX					XXXXX	2
63																							XX	0
64						X																		0
65																								2
66																								1
67												X												2
68						X					XX						X							4
69																								1
70																								2
71						X					X													4
72																								1
73																								2
74																								3
75																								3

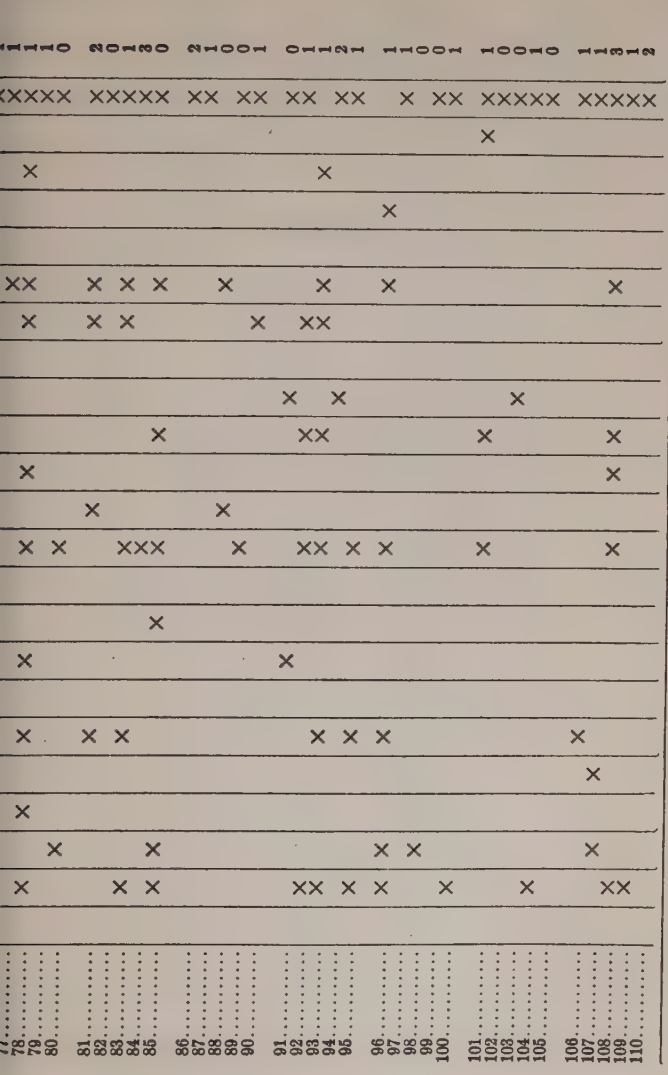
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TABLE III (*Continued*)

Number of men	Motive Given: Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	No. of suits each student bought in year questionnaire was filled out
111		×																					×	1
112																							×	0
113																							×	1
114		×									×			×				×					×	1
115																							×	1
116						×																		1
117						×																	×	0
118					×												×						×	0
119																							×	1
120		×			×						×		×	×				×	×					3
121																							×	1
122		×			×	×					×						×						×	4
123																							×	1
124											×	×						×	×				×	1
125		×	×		×													×						4
126		×						×			×							×					×	1
127						×					×												×	2
128			×		×	×					×						×						×	1
129			×			×					×			×			×						×	3
130		×									×				×								×	2

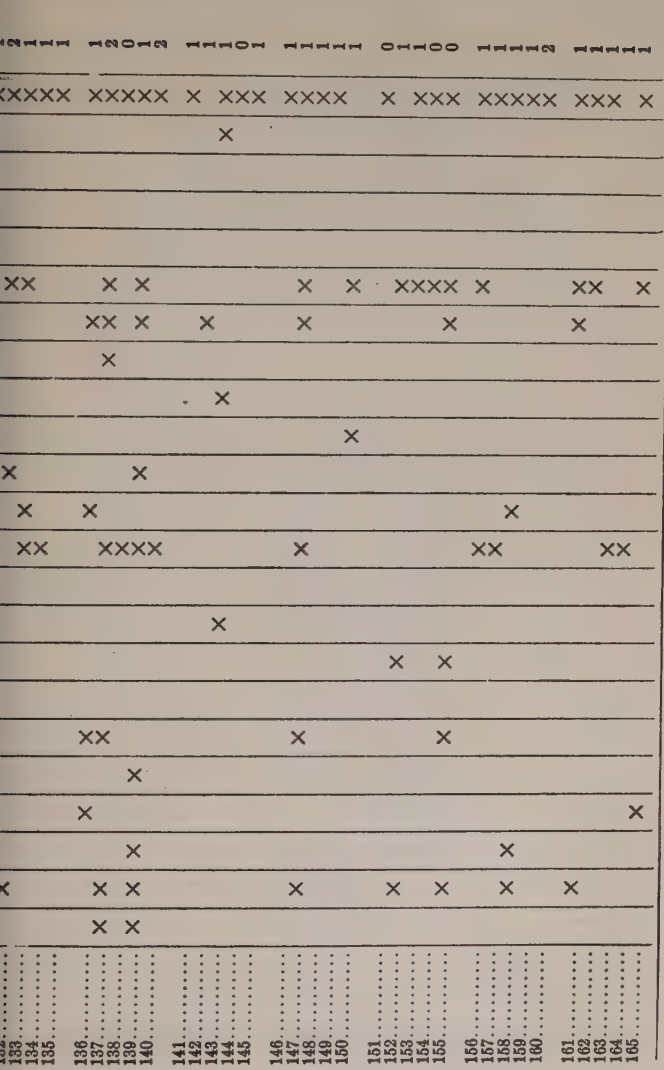

TABLE III (*Continued*)

Number of men	Motive Given																					No. of suits each student bought in year questionnaire was filled out
	Jealousy	Adornment of person	Prestige	Imitation	Power	To maintain a class standard	For sheer love of spending	Curiosity for new	To facilitate sale	To show off wealth	To satisfy individual taste	To obey authority	To match another new article	For pleasure	Because it was a so-called bargain	To keep up a pretense	To prevent social criticism	To keep in style	To set a style in the community	To gain information	To show you are not stingy	To save labor	Because it was a necessity	
166				×																			× × × × ×	0
167																								1
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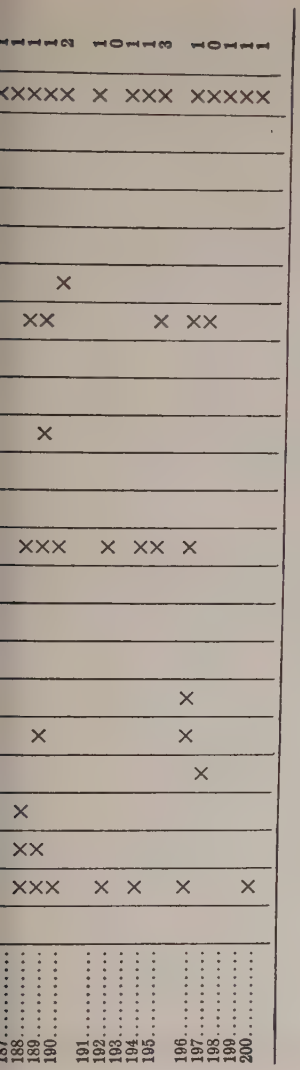
170																								4
171											×						×	×						0
172											×			×										1
173											×		×											2
174								×																3
175													×											4
176		×																×					× × × × ×	1
177																								2
178																								3
179						×																		4
180											×													5
181											×			×									× × ×	1
182																								2
183																								3
184																								4
185																								5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mark necessity high up or low down on the sca
of motives. In one city the average purchasi
power of the individual may be greater than
another city; and, if so, this would be evinced
the relative number and character of motiv
given for purchasing. Other things being equal
favorable, the greater the purchasing power
the individual the wider the opportunity for pu
chasing more kinds of goods to appease mo
sorts of desires. In a word, the combination
motives prompting an individual to buy an artic
may depend, among other factors, upon the cha
acter of goods purchased, upon the pressure
outside forces like social criticism, upon t
ideals of the individual, and upon his purchasi
power.

In Table IV the relative importance of motiv
which led 400 college students to buy dresses a
suits crop out. In order of frequency of occu
rence in this table are these most important m
tives: (1) necessity; (2) to satisfy individu
taste; (3) adornment of person; (4) to keep
style; (5) to maintain class standard, and to pr
vent social criticism; (6) for pleasure; (7) to gi
prestige; (8) to obey authority, and because of
so-called bargain; (9) to match another new ar
cle; (10) to save labor; (11) curiosity for t
new; (12) to gain information.

That necessity, the satisfaction of individu
taste, and adornment of person, rank first, secon
and third in importance, indicates that, at leas
400 students have not gone completely mad ov
fashion. But, perhaps, it would be expected th

hese three motives would take precedence over tyle among college students of junior rank; for hey probably use their "thought powers" more han non-college men and women of their age. 'his is necessarily true, because a pursual of the iberal arts and sciences tends to develop intelli- ence. In such a discussion, however, an evalua- ion of motives is in order.

TABLE IV

HE RELATIVE FREQUENCY OF OCCURRENCE OF MOTIVES WHICH LED 400 JUNIOR MEN AND WOMEN IN COLLEGE TO BUY SCHOOL DRESSES AND SUITS

	Motives Given.	*Men*	*Women*	*Total for Both Men and Women*
1	Jealousy	3	4	7
2	Adornment of person	61	84	145
3	Prestige	23	21	44
4	Imitation	6	6	12
5	Power	9	6	15
6	To maintain class standard.	40	44	84
7	For sheer love of spending.	1	0	1
8	Curiosity for the new	10	11	21
9	To facilitate a sale	2	0	2
0	To show off wealth	1	1	2
1	To satisfy individual taste..	88	104	192
2	To obey authority	10	26	36
	To match another new article	7	21	28
	For pleasure	24	38	62
	Because it was a so-called bargain	16	20	36
	To keep up a pretense	3	2	5
	To prevent social criticism.	47	37	84
	To keep in style	70	72	142
	To set the style in the community	2	1	3
	To gain information	3	16	19
	To show that you are not stingy	2	4	6
	To save labor	4	22	26
	Because it was a necessity..	175	169	344

The Evaluation of Motives.—In evaluating motive we must take into consideration all th factors in the situation, such as the immediat and ultimate consequences to the individual pu chaser and to others involved, the way othe would look at the situation, and the probable co sequences of other motives. The process require reason, reflection, imagination—intelligence.

The problems involved in the evaluation of m tives are many and complex. Some of these pro lems may partly be shown by illustrations. Firs let us take a student who purchases four suits c clothes in one year, because of the motive to kee in style. Is he wise or unwise in this instance That depends upon conditions. Let us assum that he must keep in style in order to hold a pos tion out of which he gets a portion of his funds t defray his college expenses. Now let us furthe grant that higher education is partly justifie because it enables a person to enjoy a fuller, richer life. From the standpoint of the studer in this case, it would seem that he is wise fo endeavoring to keep in style.

Secondly, let us now assume that three suits c clothes would be sufficient to enable the studer to hold his position. Would his purchase of fourth suit—a dress suit—be justified merely b cause he wanted to keep in style? Perhaps th purchase of books would open up a broader lif to the student, would enable him to grow intelle tually and spiritually bigger than the purcha of the dress suit. If so, the motive to gain know edge, in this case, is superior to the motive to kee

n style—provided other things are equally favorable.

So much for the viewpoint of the individual purchaser. But what about the effects of such purchase on others involved? Under the second assumption, if the student buys the dress suit, does he not buy and consume a luxury? Likely so, because luxurious consumption ordinarily means excessive consumption. Now what effect does this purchase, and similar ones, have on the poor? At present, the poor hardly have sufficient funds to purchase the necessities of life. Hence if more luxuries are demanded, the very demand will tend to divert additional land, labor, and capital from the production of absolute necessities to the production of luxuries. This process will eventually, unless offset by other forces, tend to reduce the supply of necessities, and thereby increase the prices of these articles. As a consequence, the poor would probably pay higher prices for the absolute necessities of life. Now if more good results in the long run to all concerned from the purchase of books, let us say, than from the purchase of a dress suit, or any other article or articles, the student should let the book motive rather than the dress-suit motive prompt him to action. This is true, because, under the circumstances, the former motive is conducive to relatively better results to all concerned than the latter one.

But the point we wish to emphasize here is that before motives are permitted to prompt individuals to action, they should, in most cases, carefully

weigh the probable, immediate, and ultimate c
sequences of such motives to all persons involv
By so doing, a whim, a passing pleasure, a r
mentary craving, is not so likely to cause act
when, under the circumstances, a motive like t
of gaining knowledge would be conducive of re
tively better results to all concerned. May we
then let reason, reflection, imagination—inte
gence—help lead us into an intellectual and spi
ual home, full and rich with the true meanings
life?

Questions and Exercises

1. Are the motives leading a man to buy a pair of overalls
same as the motives prompting him to purchase a dress s
2. According to relative importance, classify the mot
which led you to buy your last straw hat.
3. Have your motives for buying consumptive g
changed with your age? Indicate changes.
4. Do motives reflect the purchasing power of individu
If not, why? If so, give examples.
5. Give illustrations where social criticism has forced i
viduals to buy articles before they really needed them.
6. Comment on the following statement: If you are
you will dress purposely to avoid being conspicuous.
will neither lead in fashions nor lag far behind in styles.
so doing, you prudently save money without incurring s
criticism.
7. A laborer said: "I drink my beer. I now smash
beer bottle to pieces. This makes the glass industry go
Do you agree with him?
8. A rich girl in Chicago purchased a dinner costing
When criticized, she retorted by saying that she put m
into circulation and thereby provided work for wage-earn
Do you justify her purchase on the same grounds which
assigned?
9. Does it disadvantageously affect the poor if the
spend their money for luxuries? If so, how?

CHAPTER III

ECONOMIC LAWS OF CONSUMPTION

In Chapter II, an attempt was made to discuss ıe relative importance that consumptive motives lay in the life of the consumer. In this chapter, n attempt is made to discuss the rôle that eco-omic laws of consumption play, and should play, ı the life of the consumer. The law of want xpansion is given consideration first.

The Law of Want Expansion.—Hearn, in his *lutology,* treats human wants in a rather mas-erly way. He says in part:

> Food, drink, air, and warmth are the most urgent . . . ecessities. . . . These necessities man shares with all other imals. . . . He has, also, beyond all other creatures, other culties, which, besides their own requirements, seriously fect the gratification of the primary appetites; for man is le not merely to satisfy his primary wants, but to devise eans for their better and more complete gratification. . . . e alone has cooked his food. He alone has infused his drink. e alone has discovered new kinds of food or drink. He one has improved the construction of his dwelling, and has ovided for its ventilation. He alone clothes his body and ries that clothing according to the changes of temperature his own ideas of decoration. He alone is not content with e mere satisfaction, in whatever manner, of his physical nts, but exercises a selection as to the mode of their satis-ction. So strong in him is this tendency to the adaptation

of his means that, in favorable circumstances, he rega
the preparation of the objects which are intended for
gratification as of hardly less importance than the gratificat
itself. Thus, the comparative range of human wants
rapidly increased. When the question of degree is admit
in the satisfaction of the primary appetites, and when
greater or less adaptability of various objects to satisfy th
appetites is recognized, the extent of human desires is bou
only by human skill.

As the attempt to satisfy the primary appetites thus gi
rise to new desires, so the actual increase of these desi
tends of itself to a still further development. The enjoym
that man has once received he generally desires to ren
The mere repetition soon becomes a reason for its furt
repetition. By the powerful influence of habit the de
becomes a taste, and the taste quickly passes into an absol
want. Nor is this all. The mere exercise of the facul
strengthens them and gives rise to a comparison of resu
and a desire for further improvement. The man whose sen
are educated to a certain point, who has had to a cert
extent experience of different modes of satisfying his desi
and has formed a judgment upon the comparative efficie
of these modes, will seldom, in favorable circumstances, s
at that point. Not merely would a return to what plea
his untaught faculties be intolerable to him, but the act
enjoyment which he derives from his discovery stimulates
to further advances, and suggests the modes of obtaining th
Thus, while man is not guided and limited by a blind instin
but each individual is left free to rise or fall according to
exercise of his powers, provision is made, even in the prim
wants of our nature, both to prevent the retrogression of
species and to secure its advancement. The number of wa
that belongs to this class is therefore limited, as I have s
by our knowledge of the properties of matter or of mate
objects fitted to satisfy our wants, and by our skill in th
adaptation. This knowledge and this skill continually
crease; and as the limit they present recedes, the range
our tastes and of our artificial wants increases with them.

There are other important respects in which human wa
differ from those of the inferior animals. In addition

ose primary appetites which he shares with the humblest ving creature, and which relates exclusively to things, man as also, in a peculiar degree, affections which relate to per-ns; and various desires which are only conceivable with ference to abstractions, and result not from any physical ntecedent but from operations of the mind. By the aid of emory, which recalls the past; and of imagination, which presents the distant, the absent, and the future; and of ason, which exercises a judgment upon the utility present prospective of an object, and upon the means of obtaining man forms desires concerning his personal safety, his mily, and his property. These desires, like those already scribed, become, by the force of habit, daily more persistent d intense. To this class of desires no limit can be assigned her than the mental powers of each individual. These wants, cept those relating to the family, might arise in a man iso-ted from all other beings of the same kind. But man is by e constitution of his nature a social being. Beginning with e family, he soon forms relations with other men, and lives, d moves, and has his being in society. Hence arise new de-res, each of which, like every other desire, is intensified and nfirmed by habit. Man is imitative, and so seeks to have hat his neighbor enjoys; he is vain, and so desires to dis-ay himself and his possessions with advantage before his llows; he loves superiority, and so seeks to show something at others have not; he dreads inferiority, and so seeks to ssess what others also possess. Hence it is that, as daily perience teaches us, no man ever attains the state in which has no wish ungratified. The greater the development of e mental and moral faculties, the greater will be the number desires; the more continuous the gratification of these de-res, the more confirmed will be the habit.

Not merely is the amount of human desire indefinite, but e modes in which desire in many different individuals is anifested are equally without any practical limit. Even the primary appetites there is room for great diversity, cording to differences of climate, age, sex, and other con-derations, in the choice of food, and the construction of uses, and the fashion of clothes. In the desires which are culiar to man we seldom find agreement. The diversity of

individual tastes is proverbial. Two persons will often rega with very different feeling the same object. The same m will at different times and in different circumstances expe ence great changes in his desires and his aversions.

According, then, to the degree with which we are acquaint with external objects, and to the power that we possess judging of their relations to ourselves and to other things, c capacity of desire will be extended. It therefore depen upon the education, in the widest sense of the term, of ea individual, and upon his character as mainly resulting fr that education, how many and what kinds of objects, a with what degree of persistency, he desires. The more co plete the intellectual development, the wider will be the fi of desire; and, by the usual reaction in our mental nature, t wider the field of desire, the stronger will be the inducemer to intellectual effort for the continuance of means to grati these desires.

Nothing, therefore, can be further from the truth than t ascetic doctrine of the paucity and the brevity of human wan So far from man wanting little here below, his wants a indefinite, and never cease to be so during his whole existen

From this discussion we note, among oth things, that the wants of man are at once nume ous and varied; that the satisfaction of one wa creates another want; and that the more vari man's interests, the greater is his ability to enj an increased number and variety of things. It these facts that lead us to the conclusion that no time in man's march from savagery to civiliz tion have all his wants been satisfied; and that no time will all of them ever be satisfied. Hen we have the law of want expansion which mea that man's wants expand infinitely.

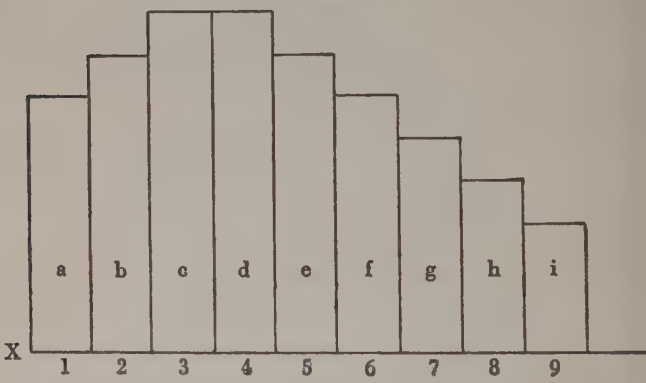
The Law of Increasing, Stationary, and Dim ishing Utility.—If one want, however, is isolat considered by itself at a given time, it is possil

o satisfy it. Take the want for bread, for example. There is a limit to the number of biscuits man may eat because of limited capacity. He ıay, however, have other uses for biscuits. His og and birds may eat them. But even so, they, oo, have limited capacities. Hence at a given ıme a definite number of biscuits will satisfy all f a man's needs for bread.

This same line of reasoning applies to apples, o suits of clothes, to automobiles, to chairs, and o nearly all, if not all, other goods successively onsumed by man. A man will consume only so ıany units of a given commodity or service at a iven time. And, as he successively consumes nits of a certain commodity, his intensity of deıre for additional units will change or remain tationary until a point of satiety is reached. This ıay be true because of the satiability of the appete for certain kinds of food; or it may be true ecause the nerves grow weary under the repetion of a specific stimulus; or it may be true beıuse nearly all objects serve many different purposes, and these purposes vary considerably in ıeir importance. Out of this discussion we may ow formulate the law of increasing, stationary, nd diminishing utility, which is expressive of a endency. It may be stated in this way: As a ıan consumes successive units of a given comıodity, the intensity of his desire for additional nits of that commodity may increase for a time, emain stationary for a time, and finally diminish ntil a point of satiety is reached. While, in some ıses, his intensity of desire for additional units

of a commodity may not increase or remain s
tionary as he consumes successive units of th
commodity, because of the nature of each un
say, for example, extra large size, his intensity
desire nevertheless will at some point inevitab
decrease until a point of satiety is reached, p
vided, of course, he pushes his consumption f

Figure 1.



enough. Graphically this law is illustrated
Figure 1.

The equal spaces 1, 2, 3, 4, 5, 6, 7, 8, 9, on l
X-Y represent biscuits; and the perpendicu
lines represent the height to which satisfacti
rises in acquiring or in consuming biscuits. T
parallelograms stand for the total satisfaction
rived from successive acquisition or consumpt
of biscuits. From *a* to *b*, it will be noted,
satisfactions increase; from *c* to *d*, the satisf
tions remain stationary; and from *e* to *i*, the sa

actions constantly diminish with the acquisition r consumption of each biscuit. It is this tency, in some cases, for satisfactions thus to ncrease for a time, to remain stationary for a me, and then diminish until a point of satiety is eached that is expressed in the law of increasing, tationary, and diminishing utility.

Tied up with this law of increasing, stationary, nd diminishing utility is marginal utility. In igure 1, the utility of the ninth unit is the mar- inal utility. It represents the utility of the final nit of the man's stock of bread. And it is this inth unit that determines the importance at- ached to each of the whole store of units.

Now in acquiring or in consuming most com- odities, the consumer should aim to choose the rticles that give the largest marginal utilities. y so doing, his total satisfaction will be the reatest. Such choices, however, are not easy to ake, because the different goods purchased have fferent prices; and because these prices must considered in connection with probable satis- ctions to be obtained. But however great the sk, the consumer should perform it, for this is e only method by which one can get the most sat- factions out of money spent for consumptive ods. To generalize, a consumer is wise or un- se in buying goods according as he chooses arti- s that yield either the greatest or least marginal lity.

The Law of Want Substitution.—While wants equently compete with one another, they are

also interchangeable; one want may be sub
tuted for another. It is this substitution of wa
that is known as the law of want substitution.
consumers this law is of vital concern. It enal
them to escape exorbitant prices in some ca
When the satisfaction of the want for sugar
comes too costly, the consumer may substit
honey for sugar. If theater tickets are relativ
too expensive, movie tickets may be purchased
preference. When a motor car does not fit
consumer's purse, a bicycle may be bought
stead. An inexpensive walk may even be sub
tuted for golf. While the substitute does
answer the consumer's purpose quite so wel
will do, nevertheless.

The law of want substitution is also effectiv
employed to advance the welfare of the hu
race. As Professor Charles Gide points out:

> Hygiene and morals are making use of this law in
> endeavor to replace the lower and more animal wants by w
> of a higher order. In the fight against alcoholism, fo
> stance, temperance societies have found no plan more
> cessful than the opening of temperance refreshment ro
> where the consumer is gradually accustomed to drink te
> coffee. Observe that a material want may be replaced b
> intellectual or moral one, e.g., the public-house may give
> to the lecture room, or a workman may go without "ref
> ment" in order to put aside a sum for insurance, strike
> propaganda.[1]

The extent of the substitution of articles
services, however, is limited. Whether one g
will be substituted for another will depend so

[1] Gide, *Political Economy*, p. 39.

nat upon its character. If an article is an abso-
te necessity, like wheat bread, the want for it is
fficult to substitute. Of course, during the late
uropean war, rye, potato, rice, and corn bread
ere substituted for wheat bread. But this sub-
itution was largely a matter of patriotism or
mpulsion. On their own initiative, Americans
ll seldom supply their want for bread with a
e loaf. Again, an article that constitutes a habit
rarely substituted. Chewing gum, for instance,
not frequently bought by a man who chews
bacco. But luxuries are frequently substituted
men with limited purchasing power. In the
se of luxuries, then, the extent of the substitu-
n will depend, not only upon the character of
e luxury but also upon the purchasing power
the consumer. In Europe, the rich will have
ir champagne in spite of its cost. Not so with
e poor. Being limited by income, they will buy
er. It fits their purse better.

In conclusion it may be pointed out that in spite
these limitations to the substitution of wants,
e law is used, and should be used, to further the
lividual and social welfare.

The Law of Complementary Wants.—Quite as
portant as the law of want substitution is that
complementary wants. Many wants must be
isfied together; that is to say, they can hardly
satisfied adequately when satisfied separately.
what use is a house without furniture? Of
at good is an automobile without gasoline? To
om will an empty jardinière give pleasure? To
ain the greatest satisfaction from food, dishes

are necessary. To get maximum enjoyment ou fishing, proper fishing tackle is required. Thu is that often the satisfaction of one want ins that a complementary want be satisfied simulta ously.

It is not always possible, however, to sati complementary wants simultaneously. Lost the mountains, a man might starve if he waits dishes before eating. Without sufficient mea moreover, a man cannot have all the æsth pleasures which should accompany a banq Physical and mental conditions surrounding consumer, and his limited purchasing power well, may prevent him from satisfying all complementary wants at once. But when where it is possible, the consumer should sati complementary wants simultaneously. By so ing the consumer gets greater satisfaction tha these wants were otherwise satisfied.

The Law of Variety.—Another law of consu tion is the law of variety, which is splendi described and illustrated by Professor Henry Seager in his *Principles of Economics*. Profes Seager says:

> Since each kind of good is subject to the law of diminis utility, the pleasures of consumption may be increased attention to the law of variety. If a man has only corn b for breakfast, to satisfy his hunger he must push his sumption of it beyond the point where it affords him ap ciable gratification. If to his corn bread are added ba eggs, and coffee, he will be able to supply his body adequate nourishment without being obliged to eat corn b after he has ceased to relish it. Eating has been take illustrate the law of variety because it is a universal ex

nce, but the law applies equally well to other forms of onsumption. It is really a corollary of the law of diminish-ng utility, since that law itself suggests the necessity of assing from one form of consumption to another to avoid ne uncomfortable feeling of satiety. The ideal which the conomic man should, and does unconsciously, have in mind is that of carrying each kind of consumption only to the point here it becomes less pleasurable than another form of con-umption that may be enjoyed at the same expense. By hanging to the new form of consumption whenever it affords ne more pleasure, he is able to get the maximum gratification ermitted by his income.

The great obstacle to varied consumption is the expense of varied assortment of goods, and this is felt more keenly here men live in comparative isolation. Homesteaders in ne western part of the United States, and others in similar tuations, have to content themselves with rough and simple are, clothing, etc., because it does not pay them to make, in nall quantities adapted to their wants, those little things, hich contribute so much to the refinement of life. Every dvance which tends to bring people into closer industrial elations is favorable to a more varied consumption and conse-uently to an increase in well-being. Recent improvements transportation facilities and means of communication en-ourage the hope that the varied markets of the city will one ay be brought within the reach of every country family, hile the city families will be given opportunities to share the ee goods of the country. Such an arrangement will add normously to the general well-being.[1]

his brings up for discussion still another sig-ficant law.

The Law of Least Social Cost.—The law of least ocial cost means the consumption of goods that re produced with the least expenditure of effort. ll things being equally favorable, people tend to

[1] Nourse, *Agricultural Economics*, pp. 83-84.

follow this law. But unfortunately things are rarely equally favorable. As a consequence, certain obstacles stand in the way of the operation of this law. Habit frequently prevents a smooth working of the law. The human being is a stubborn animal. Once he establishes a habit, he finds it difficult to break it up. To illustrate, for a long time the early American colonist refused to substitute Indian corn bread for bread composed of rye or wheat simply because he was accustomed to the latter kinds in Europe. In time, however, the law of least social cost partially functioned: the cheaper bread, namely, corn bread, was used in the diet of the American colonist. If consumers would spend more time and effort in trying to learn to like what the land can best produce rather than in wastefully trying to make the land produce what they like best, the law of least social cost would play a larger rôle in their standard of life.

Imperfections in production, also, interfere with a smooth working of this law. Many manufactured goods are produced under small-scale production when they could be produced more cheaply under large-scale production. Many farm products are produced by farmers at relatively great costs, because of the lack of sufficient land, labor, or capital. As time comes and goes, however, manufacturing concerns grow larger, and as a consequence turn out more and more of our manufactured goods. As time comes and goes, we establish better rural-credit systems that tend to place more and more farmers in possession of

the proper quantity of land, labor, and capital to carry on production more efficiently.

In conclusion, we may say that inasmuch as most consumers are also producers, they determine in a large measure what is produced. Hence, when other things are equally favorable, it is important that consumers select those goods and services which can be produced with the least expenditure of effort. It is believed that as civilization advances, this is exactly what consumers tend to do. Therefore, the more rational the individual or the nation, the stronger its tendency to follow the law of least social cost.

TABLE V[1]

ENGEL'S STATISTICS

Saxony

Items of Expenditure	*Per Cent of the Expenditures of the Family*					
	A workingman: with income of from $225 to $300 a year		*A man with an income of from $450 to $600*		*A man with an income of from $750 to $1000*	
1. Subsistence ..	62.0		55.0		50.0	
2. Clothing	16.0		18.0		18.0	
3. Lodging	12.0	95.0	12.0	90.0	12.0	85.0
4. Heat & Light.	5.0		5.0		5.0	
5. Edu'n, public worship, &c.			3.5		5.5	
6. Legal protection	2.0		2.0		3.0	
7. Care of health	1.0	5.0	2.0	10.0	3.0	15.0
8. Comfort, mental & bodily recreation .	1.0		2.5		3.5	
Total	100.0		100.0		100.0	

[1] Ely, *Outlines of Economics*, p. 145.

Engel's Laws of Consumption.—Like the foregoing laws of consumption, Engel's laws of consumption are interesting, are vital. Ernst Engel, a former Prussian statistician, after studying a large number of family budgets, made the following generalizations:

1. The larger the income, the smaller the proportion of it spent for subsistence.
2. The larger the income, the greater the proportion of it spent for sundries.
3. Whatever the income, about the same proportion is spent for clothing.
4. Whatever the income, the same proportion is spent for lodging or rent, and for fuel and light.

These laws are well illustrated in Table V.

Table VI pertains to American expenditures. In this table one notes that the proportions of expenditures for different purposes are not the same as in Table V. But one could hardly expect Engel's laws, which are based on Table V, to apply absolutely to American workmen. This is partly true because Engel's laws were formulated at a time when "free and voluntary" competition played a different part in the economic order than it does at the present time.

Data like those found in Tables V and VI, however, could be made very useful. Among other things, such data could be used as an index to the standards of living of families or even of nations. Especially would this be the case if sufficient figures could be compiled to make representative the quality and the quantity of purchases made.

From a consideration of economic laws of con-

TABLE VI[1]

EXPENDITURES OF FAMILIES IN NEW YORK CITY

Income Group	*No. of Families*	*Expenditures*							
		Food Per cent	Clothing Per cent	Rent Per cent	Fuel and Light Per cent	Insurance Per cent	Health Per cent	Carfare Per cent	Sundries Per cent
$ 400– 499	8	40.8	13.0	26.8	5.6	1.2	3.1	2.6	6.9
500– 599	17	44.4	12.4	25.9	5.9	1.3	1.9	1.8	6.4
600– 699	72	44.6	12.9	23.6	5.8	2.0	2.1	1.7	7.3
700– 799	79	45.6	13.4	21.9	5.0	2.5	1.9	1.5	8.2
800– 899	73	44.3	14.0	20.7	5.0	2.2	2.7	2.0	9.1
900– 999	63	44.7	14.6	19.0	5.1	2.6	2.6	1.5	9.9
1000–1099	31	44.7	15.5	18.1	4.5	2.5	1.5	1.8	11.4
1100–1199	18	45.6	14.9	16.2	3.8	2.5	3.6	1.9	11.5
1200–1299	8	45.0	15.2	19.8	3.8	2.2	1.3	2.2	10.5
1300–1399	8	43.6	13.7	16.8	3.6	4.9	1.1	1.1	15.2
1500–1599	6	36.8	16.8	16.3	4.1	2.3	7.4	1.2	15.1

[1] Chapin, *The Standard of Living in New York City*, p. 70.

sumption, the discussion will now lead us into a treatment of the aims of consumption and the order of consumption.

Questions and Exercises

1. Does the law of want expansion make people more or less contented? Why?

2. "It is evident that want of food was first. That of defense against animals or other men must have followed closely on it. This explains the very ancient and dread import of the want of arms, which probably took as great, or even greater, a place in the life and work of the men of the Stone Age than it holds in the budgets of civilized countries of the twentieth century. But it is a curious and unexpected fact that the want of adornment preceded that of clothing. This want is first among those which separate man from the animals. As Theophile Gautier remarks, 'no dog ever had the idea of putting on earrings, and the stupid Papuans who eat clay and earthworms deck themselves out with shells and coloured berries.' On the other hand, the want of rapid communication between men did not arise till much later, but it has developed extraordinarily of late years."—Gide, *Political Economy,* p. 36.

Give the probable reasons why wants have developed in the order described by Professor Gide.

3. Does the drunkard get greater utility from the second swallow of alcohol than from the first, and greater utility from the third swallow than from the second? Is there a drink, however, after which satisfaction diminishes with each successive swallow of alcohol?

4. Give an account of how the law of want substitution raised the standard of dancing in Chicago. See the *American Magazine,* September, 1920, pp. 74–75.

5. Make a list of inexpensive games that give you keen pleasure, and proper diversion.

6. Figure out how much money you could save a year by the substitution of entertainments and forms of exercise.

7. Are costs of entertainment an index to satisfactions derived from entertainments?

8. Name three sets of complementary wants that should be satisfied simultaneously.

9. In what way do you follow the law of variety in buying clothes?

10. What are the chief obstacles confronting a farmer who endeavors to follow the law of variety in entertainments?

11. As a nation, are we following the law of least social cost by devoting land to the production of hops and tobacco?

12. Enumerate the chief difficulties our nation would have if it were to follow the law of least social cost.

13. Just why does the percentage spent for sundries increase with increased income?

CHAPTER IV

THE AIMS AND THE ORDER OF CONSUMPTION

Aims of Consumption.—There are in general two extreme aims of the consumption of wealth. First, individual gratification; second, increased production.

It is the contention of some people that goods are produced for purposes of enjoyment. They ask: Of what good is a coat, if not to give pleasure? Why were movies created if not to give enjoyment? For what purpose is a dinner if not to please the palate? In a word, it is their view that man works for money in order that he may use it in gratifying his desires.

Another group of people claim that the aim of consumption is to make efficient producers in the economic world. They argue that we eat to live, not live to eat. To this group of people a movie is to be attended as a matter of diversion for the sole purpose of making the one attending the performance more efficient the following day. A trip to Europe is to be taken for a rest or for information so that the traveler will be able to turn out more or better goods when he returns to his daily work. Golf is to be indulged in for the sole purpose of resting the tired body and putting

it in shape for more efficient service. In short, the contention of this group of people is that consumption is merely a means to production.

Perhaps neither of these extreme views regarding the aims of consumption is held by most people. Very likely the great majority of people eat to live, but, while eating, endeavor to get the greatest pleasure from the process. Rightly, too, because man is something more than an efficient machine for production. He has a many-sided nature. There are the educational, spiritual, and cultural phases of his life as well as the economic.

From this standpoint, namely, that consumption is for both production and personal gratification, the average individual, while resting from the productive process, attempts, and should attempt, to develop his æsthetic, religious, cultural, and social sides through the consumption of material goods and services. He should also prepare himself at the same time for more efficient production. To illustrate this viewpoint, one should attend movies for diversion; but one should go to the best performances and thereby become better educated in order to appreciate life more fully. One should dance for recreation, but one should dance æsthetically. One should listen to a sermon for diversion, but the sermon should be filled with spirituality. One should read novels, but one should read those novels that best portray life. Briefly, then, one does, and should usually, aim to consume goods for personal enjoyment and for further production.

Contrary to the belief of some people, this last

aim of consumption does not encourage the artist to produce "art for art's sake" any more than it encourages the potato-grower to produce "potatoes for potatoes' sake." But it is assumed that art should be, and is generally, produced to give enjoyment as well as to further production, the same as potatoes should be, and generally are, produced to give enjoyment as well as to further production. While, in some cases, one's immediate object may be to paint a beautiful picture just as one's immediate aim may be to grow a perfect potato. But once the picture is painted, once the potato is grown, then the picture and the potato should be, and generally are, used for personal gratification and for further production.

Of course it is quite possible that the potato may be consumed by an idler and may, therefore, give only personal satisfaction. It is also quite possible that either article may be consumed by a genius for the sole purpose of further production. But most people are neither idlers nor geniuses. Most people are just ordinary folk, and as such, they eat to live; but, while eating, they aim to get the greatest satisfaction out of the process. That is to say, to most people the aim in consuming goods is personal gratification and further production. The present order in which consumers attempt to attain their ends will now be treated.

The Present Order of Consumption.—When he buys rationally, the consumer generally purchases with each dollar a dollar's worth of goods which he thinks will give him the greatest possible satisfaction. The definition includes the clause:

FIGURE II.[1]—A FEW GENERALLY USED SIZES OF SHIPPING CONTAINERS.

This picture shows the need for Federal standardization of containers for fruits and vegetables. The baskets and packages illustrated represent only a few of the total number of sizes used.

[1] *Figures II to XII were taken from Foods and Markets, February, 1920. (Courtesy N. Y. Division of Foods and Markets and U. S. Bureau of Markets.)*

FIGURE III.—COMPARISON OF LETTUCE CONTAINERS.

The 48 and 40 quart Florida lettuce hampers shown usually wholesale at the same price although the hamper at the right holds but 37 heads of lettuce as against 49 heads in the

FIGURE IV.—TWO HAMPERS OF APPLES.

The standard half-bushel hamper on the right holds 8 apples more than the 13½ quart basket on the left.

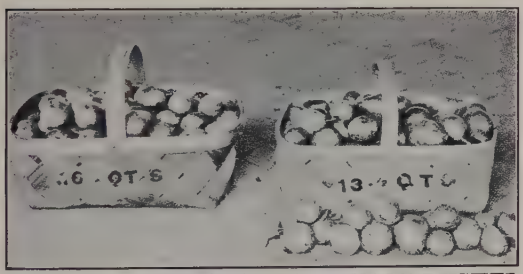


FIGURE V.—THE STANDARD HALF-BUSHEL MARKET BASKET.

Half-bushel basket at left holds 18 more pears than short basket at right.

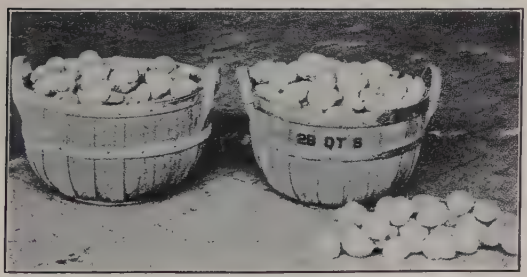


FIGURE V-a.—ANOTHER EXAMPLE OF SHORT MEASURE.

Potatoes on the floor (8¼ lbs.) are the difference in the two baskets. Right, ⅞ bushel, 44¾ pounds. Left, 1 bushel, 53 pounds; short 15½ per cent.

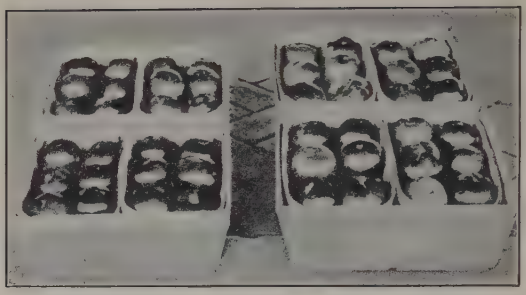


FIGURE VI.—DECEPTION IN TOMATO CRATES.

The right-hand crate holds four 3 quart baskets and the left 2¾ quarts, 12 tomatoes in each basket. Left, short crate, 14½ pounds, count 48. Right, standard crate, 18¼ pounds, count 48. Difference 3¾ pounds, or 20½ per cent.

FIGURE VII.—ILLUSTRATING A SLACK FILL.

Two Florida ⅞ bushel bean hampers. One at right weighs 23 pounds, at left, 25.

FIGURE VIII.—WHY TOMATOES SHOULD BE SOLD BY WEIGHT.

Variations in count in standard 2 quart baskets. Right, 10 tomatoes, 3½ pounds. Center, 12 tomatoes, 4 pounds. Left, 15 tomatoes, 4¾ pounds.

FIGURE IX.—BERRY BOXES NOT INTENDED FOR MEASURING APPLES.

Variations in weight of 14 per cent. Right, 7 apples, 3 on bottom, 1 pound 8 ounces. Left, 5 apples, 2 on bottom, 1 pound 5 ounces.

FIGURE X.—PROPOSED STANDARD SIZES OF HAMPERS.

Other sizes should be eliminated. The 1½ bushel hamper has two sizes.

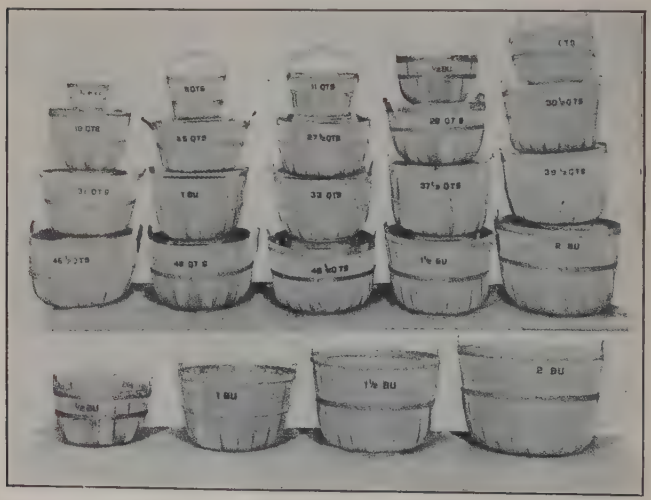


FIGURE XI.—CONFUSION, DECEPTION AND FRAUD AIDED BY MULTIPLICITY OF CONTAINERS.

Top.—Twenty sizes of Round Stave Baskets in general use today. Bottom.—Proposed standard sizes of Round Stave Baskets.

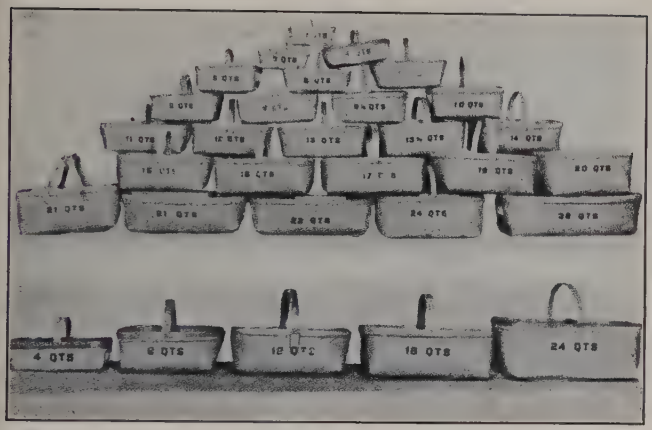


FIGURE XII.—FEWER SIZES OF CONTAINERS MEAN BETTER MARKETING CONDITIONS.

Top photograph shows 25 sizes of Splint Baskets now in general use. Bottom: Proposed standard sizes of Market or Splint Baskets.

"when he buys rationally," because not at all times do all consumers buy commodities or services rationally. To show that consumers do not always purchase things rationally, an example or two may be in place. A group of young men is on the city street. The "bell-leader" says: "Let's go to the movies." Thoughtlessly, they exchange money for movie tickets; and, thoughtlessly, they enter a movie house to enjoy the performance. In such case, rarely, if ever, are the relative values of movies, theaters, and operas compared. Purchases are based on impulse rather than reason. Again, a group of country people in the city may, at the suggestion of one, take a scenic car over the city without ever giving a thought to the relative value of musicals, museums, or art galleries. Once more the rôle of impulse plays its part. Truly, purchases are not always the result of reason.

The definition of the order of consumption, also, includes "which he thinks will give him the greatest satisfaction possible" instead of "which will give him the greatest satisfaction possible," because it is thought that even when the consumer buys commodities and services rationally, he does not always get the greatest satisfaction possible. This seems true, because in his efforts to obtain maximum satisfactions from purchases, the consumer is frequently prevented by ignorance, deception, improper utilization of foods, and the vicissitudes of the future. To illustrate, if I am ignorant of the relative values of entertainments in Chicago, likely I shall not get the greatest sat-

isfaction out of my money spent for pleasures in that city. If I do not know all the latest novels, perhaps I shall buy an inferior one. If I am unacquainted with national scenery, perhaps I shall select a rather poor place in which to spend my vacation. If I am uneducated in textiles, possibly I shall pay relatively too much for a suit of clothes. This ignorance may be partly reduced, however, if I will take the pains to find a comparative list of pleasures in the city of Chicago, if I will ask the advice of a novelist on what novel to buy, if I will compare the scenic spots in America, and if I will study textiles. But it is practically impossible for the average person to wipe out all ignorance in these things, for the simple reason that he has not the time to devote to these incidental affairs.

Deception, too, often prevents the consumer from securing maximum satisfaction out of his purchases. He unknowingly buys adulterated or debased foods. The different forms of deception in which the consumer is trapped may partly be shown by these figures. According to Dr. L. B. Allyn of Westfield, Massachusetts, from 8 to 15 per cent of all foods sold are debased.[1] According to Gaston G. Netter, president of the International Pure Food Association, about 40 per cent of the food in New York City is unfit for human consumption. Mr. Netter says in part: "If you took all the food in New York City to-day and put it in a big tent in Texas, I would throw away 40 per cent."[1]

[1] Harris, *Coöperation, the Hope of the Consumer*, pp. 24–25.

Another form of deception is found in short weights and measures. The extent of this type of deception is partly shown in Mr. Waldron's figures. Mr. Waldron, formerly superintendent of weights and measures in New Jersey, found that out of 45,251 druggists' weights and measures tested 11,545 were wrong. It is only fair to the druggists, however, to say that many scales were wrong without the knowledge of the druggists; and, also, that many weights that were out of order favored the purchasers. But even when allowance for these facts is made, altogether too many people were intentionally deceived. The main hope for the consumer in preventing deception of this nature, likely lies in legislative enactments and standardization, of which more will be written later.

Improper utilization of food products is, likewise, an important factor in keeping the consumer from procuring the greatest satisfaction out of his expenditures. It is estimated that the average family in the United States wastes 10 per cent of its food.[1] It is also estimated by the National Association of Waste Material Dealers that "Americans throw away $70,000,000 worth of food each year. If only one ounce of food is wasted or spoiled in each of the 20,000,000 homes of America, the total loss is 1,300,000 pounds a day."[2] To drive home more impressively American extravagance the following figures are given which represent the day's waste for Portland, Oregon:

[1] Nourse, *Agricultural Economics*, p. 91.
[2] Corvallis *Daily Gazette-Times*, April 4, 1920.

DAY'S WASTAGE FOR PORTLAND, OREGON[1]

Articles	*Pounds*
Potatoes in peelings	17,000
Bread, cake, etc.	11,800
Cooked potatoes	7,400
Cooked fish and meat	4,200
Butter	640

The garbage can, however, is not the only place in which food is wasted. There is wastage in the direct consumption of food. It is thought that 10 per cent of the population overeat 50 per cent and that another 25 per cent of the population overeat 25 per cent.[2] The author does not say this estimate is correct; he merely gives it for what it is worth. But even if it is only half true, the improper utilization of food through overeating is alarming.

Finally, the vicissitudes of the future, over which the consumer has little, if any, control occasionally check him in his pursuit for the greatest satisfaction. To illustrate, while enjoying a banquet, the consumer's pleasure is cut sharply off by a telegram announcing the death of a relative. Or while on an expensive vacation, the consumer is suddenly called back to his business to attend to important difficulties which have unexpectedly arisen. Storms, floods, in short, accidents of all sorts, at times, intercept the consumer in his quest for the greatest enjoyment of goods.

The present order of consumption, then, means that when he buys rationally the consumer pur-

[1] *Oregon Journal*, July 17, 1917.
[2] *The Annals of American Academy of Political and Social Science*, November, 1917, p. 122.

chases with each succeeding dollar a dollar's worth of goods or services which he thinks will give him the greatest possible satisfaction.

Questions and Exercises

1. Do thieves and tramps consume wealth for the sole purpose of personal satisfaction?
2. Carefully read the biography of one great man with a view of determining whether or not he consumed wealth for personal enjoyment or for further production or for both purposes. Report in class.
3. It is said that the chief ambition of a certain Indiana farmer "was to grow more corn to feed more hogs, to buy more land to grow more corn to feed to more hogs, etc." Was his life wasted? For discussion see the *Foundation of National Prosperity,* by Ely, Hess, Leith and Carver, pp. 288–296.
4. Is it true that the character of goods and services will entirely determine whether they are consumed for further production or for personal gratification?
5. Comment on the following statements. "The sale of any substitute as the genuine is a pernicious practice that is unethical, uneconomic and that outrages common honesty. The sale of shoddy as virgin wool is even more unpardonable and destructive than the sale of other substitutes as the genuine, for the reason that it takes advantage of the people's misunderstanding of the term 'all wool.'"—Alex. Walker, president of the National Sheep and Wool Bureau of America in the *Oregon Journal,* November 25, 1920.
6. List the factors which prevent the consumer from getting the greatest possible satisfaction out of money spent for consumers' goods or services.

CHAPTER V

STANDARDS OF CONSUMPTION

In Chapter IV, the present order of consumption was described, and the obstacles encountered in the attempt to attain maximum satisfactions were discussed. In this chapter, standards of living growing out of such order of consumption will be treated.

Standards of Living.—The standard of life of a family or an individual represents the number and character of wants customarily satisfied. In practically every nation there are at least four standards of consumption.

First, there is the pauper standard of life. This is represented by a plane of living which barely keeps a family from receiving charity or from running into serious debt. It merely keeps body and soul together.

Secondly, there is what is termed the minimum of subsistence standard. It is based on mere animal existence, allowing little, if anything, for the needs of men as social creatures.

Thirdly, there is what is known as the health and comfort standard. This plane of life provides not only for the material wants of man, such as food, shelter, and body covering, but also for

some comforts—clothing that is at once respectable and comfortable; insurance that takes care of the major misfortunes of life; and a degree of some education as well as amusements.

TABLE VII[1]

THE ESTIMATED PERCENTAGE DISTRIBUTION OF INCOME IN THE CONTINENTAL UNITED STATES IN 1910

Family Income	*Percentage of Families Having Given Income*	*Percentage of Total Income Received by Given Class of Families*
Less than $ 200	.07	0.1
" " 300	1.04	0.25
" " 400	7.17	2.29
" " 500	16.70	6.35
" " 600	26.08	11.20
" " 700	38.92	19.02
" " 800	51.54	27.86
" " 900	61.33	35.48
" " 1,000	69.43	42.48
" " 1,100	75.96	48.73
" " 1,200	81.69	54.72
" " 1,300	86.08	59.70
" " 1,400	88.62	62.83
" " 1,500	90.31	65.08
" " 1,600	91.70	67.03
" " 1,700	92.80	68.68
" " 1,800	93.67	70.06
" " 1,900	94.34	71.20
" " 2,000	94.86	72.10
2,400	95.58	73.46
" " 2,200	96.18	74.71
" " 2,600	96.67	75.86
" " 2,800	97.08	76.86
" " 3,000	97.42	77.76
" " 3,200	97.70	78.54
" " 3,400	97.92	79.21
" " 3,600	98.10	79.81
" " 3,800	98.26	80.32
" " 4,000	98.39	80.78

[1] King, *Wealth and Income of the People of the United States*, p. 228.

Fourthly, there is what may be designated the standard of luxury. It represents all the necessities and comforts needed by man; and also what luxuries he may desire. Besides nourishing food, adequate shelter, and fitting clothing, it provides an abundance of literature, art, music, travel, and the like.

The Distribution of Incomes in the United States.—In order to form a rough estimate of the number of families in the United States living on the four planes of life, it is necessary to consider the distribution of family incomes.

Table VII shows the percentage of families in the United States receiving incomes from less than $200 per year to less than $4000 per year. These figures are for the year 1910. So far as the author knows, there are no figures so complete for the present time. However, it seems reasonable to say that the great mass of people in the United States are no better off, if as well off, to-day. This statement is based on the fact that general wages did not rise so rapidly as did general commodity prices from 1910 to 1919. Perhaps the following figures will bear out this conclusion.

1. From 1907 to 1913, wages rose 11.6 per cent in the United States and retail prices 20 per cent.[1]

2. A comparison of weekly earnings in New York factories and retail prices in the United States from 1914 to October, 1920.[2]

[1] Adams, *Marketing Perishable Farm Products*, p. 27.

[2] Business Conditions for January, 1921. These figures are indexes with June, 1914, as 100. Prices are taken from reports of the United States Bureau of Labor Statistics.

Year	*Average Weekly Earnings*	*Average Retail Food Prices*
1914	98	105
1915	101	102
1916	114	115
1917	129	147
1918	160	170
1919	185	188
1920 (Oct. only)	288	200

An Estimated Percentage of Families in the United States Living on the Different Planes of Consumption.—Table VIII, which is for the year 1909, indicates that families receiving less than

TABLE VIII[1]

FAMILIES UNDERFED, UNDERCLOTHED AND OVERCROWDED
Number and Percentages by Income

Income.	$400 *to* $599	$600 *to* $799	$800 *to* $899	$900 *to* $1099	$1100 *and over*
Number of families	25	151	73	94	48
Underfed:					
Number	19	48	16	8	..
Per cent	76	32	22	9	..
Underclothed:					
Number	22	86	23	17	3
Per cent	88	57	32	18	6
Overcrowded:					
Number	17	87	39	34	10
Per cent	68	58	53	36	21
Underfed and Underclothed:					
Number	17	24	7	2	..
Per cent	68	16	10	2	..
Underfed and Overcrowded:					
Number	13	29	11	5	..
Per cent	52	19	15	5	..
Underclothed and Overcrowded:					
Number	13	56	18	7	..
Per cent	52	37	25	7	..

[1] Bureau of Applied Economics, Inc., *Standards of Living*, p. 148.

$500 per family were underfed, underclothed, and overcrowded. Or, in other words, an income of less than $500 per family was merely enough to keep body and soul together—and in some instances the annual income was so small that body and soul were likely separated. It is further pointed out in connection with Chapin's figures that an income under $800 in 1909 was not enough to permit the maintenance of a normal standard for a family in the United States.[1]

Now, if it is assumed that a family receiving less than $500 a year in 1910 was on or below the poverty standard; that a family receiving from $500 to $799 a year in 1910 was on a minimum standard of subsistence; that a family receiving from $800 to $2400 a year in 1910 was on a minimum of health and comfort standard;[2] and that a family receiving an income over $2400 a year in 1910 was on the luxury standard; and that the great mass of people of the United States are no better off to-day than they were in 1910,[3] then we have, according to Table VII, about the following percentages of families living on the different planes to-day:

1. On or below the pauper standard, 16.7 per cent of all the families in the United States.
2. On the minimum of subsistence standard,

[1] Bureau of Applied Economics, Inc., *Standards of Living*, p. 145.

[2] According to the Bureau of Labor Statistics, the cost of a fairly decent and healthful standard to-day ranges between $1500 and $2100. See the Bureau of Applied Economics, Inc., *Standards of Living*, p. 22.

[3] From the figures presented these assumptions, while rough, seem reasonable enough.

34.84 per cent of all the families in the United States.

3. On the health and comfort standard, 44.64 per cent of all the families in the United States.
4. On the luxury standard, 3.82 per cent of all the families in the United States.

TABLE IX[1]

INCOME PER CAPITA OF SOME OF THE COUNTRIES OF THE WORLD IN 1919

Country	*Per Capita Income*
United States	$561
Great Britain (not including colonies)	337
France	300
Russia	40
Italy	208
Japan	46
Portugal	83
Greece	12
Rumania	13
Germany	154
Austria-Hungary	94
Bulgaria	84
Turkey	42

[1] American Eagle Fire Insurance Company, *Peace and Its Price.*

Comparative Standards of Consumption in Different Countries.—Table IX gives the comparative annual incomes per capita in some of the different nations as the incomes stood in 1919. Of course these incomes cannot be taken as a true index to the standard of life of each individual in each country. True, because the actual distribution of incomes would have to be taken into account, and not merely the arithmetical average derived by dividing the number of people of a nation into its national income as in this table.

True, because incomes are spent for productive goods as well as for consumptive articles and services, and this fact has not been taken into account in Table IX. True, because money is not the only factor entering into a standard of life.

These incomes in Table IX merely reflect the various amounts that would have been available (1919) for consumptive and other purposes, if incomes had been equally distributed among the individuals of the respective nations. Other things being equally favorable, however, the greater the per capita income, the greater the opportunity for a high standard of consumption. Now it is thought that other things are, at least, equally as favorable in the United States as in any other country. Hence, it is believed that the United States has the highest standard of life of all countries. Considering data in Table IX in connection with the standard of living in China,[1] it is, also, reasonably safe to say that, in civilization, the next to the highest standard of consumption is found in Europe, and the lowest in the Orient.

Factors Other than Money.—While purchasing power may be the most important factor entering into a standard of life, it is by no means the only important factor. A man may be a millionaire, but yet be unable to have an efficient, comfortable standard of living. His constitution or make-up, which is partly the result of heredity, may be such that he cannot utilize consumptive articles

[1] *Quarterly Journal of Economics*, November, 1918, "An Estimate of the Standard of Living in China."

and services properly. A poor or good digestive system, for example, is a distinct factor affecting the standard of living of an individual.

Other defects, wholly or partly inherited, such as those of the nervous system, of speech, eyes, ears, skin, likewise affect the enjoyment of consumptive goods. Eyes that are color-blind cannot appreciate the finer shades of color in a great painting. Weak-hearing ears cannot catch all the beautiful tones of music emitted by the human voice or a musical instrument. All physical, moral, and mental traits that are inherited have a direct bearing on one's standard of life.

Still another factor that affects the standard of living of an individual is personal care. A person may inherit a perfect physical, mental, and moral constitution, but by misusing it may ruin it. Such ruin may be the direct result of faulty posture, exposure to heat and cold, unsanitary living, immoral thoughts, and bad habits, and the like. Correct posture usually costs the same as faulty posture. Sanitary living is often no more expensive than unsanitary living. The abstinence from narcotics is less expensive than the use of them. Clean thoughts and habits require no more effort or expense than immoral thoughts and habits. Yet the results of improper care of mind and body are positively bad, while the results of proper care of mind and body are positively good. A defective body and mind cannot utilize consumptive goods with as much satisfaction as a well-kept body and mind. Surely the care which is given body and mind materially influences one's

ability to utilize and appreciate articles and services.

A third factor entering into the standard of life is the ability or ingenuity to make the most out of articles and services purchased. This ability varies with different individuals. One cook will throw away fifty per cent of the food she buys. Another cook will utilize all but ten per cent of it. And a third cook will use it all. One dressmaker will waste little or no cloth in making dresses, while another will waste much cloth. One mother will make over dresses and coats, but another mother will do nothing of the kind. With some "a penny saved is a penny made," but not so with others. Now this ability to utilize purchases, whether they be consumptive articles or services, has a direct influence on the standard of living—not only of the individual, but also of the family. Indeed, an income of $2000 properly utilized may result in a much higher standard of life than an income of $3000 improperly used.

An Efficient Standard of Life.—Definitions are always hard to make. And definitions of the most common animals and objects are, it seems, the most difficult to draw up. The author, one time, asked a class of students to define man. After many attempts, one student shot this well-known definition: "Man is a two-legged animal without feathers." It seemed to find ready acceptance, till the author suggested that a picked rooster would, therefore, be a man. So it is with an efficient standard of consumption—difficult to define.

The author, however, defines such standard in

these words: An efficient standard of life means sufficient nourishment, sleep, activity, recreation, and comfort to make efficient producers and appreciative consumers.

As to nourishment, the food eaten should consist of fats, carbohydrates, proteins, and minerals. In the American diet the first three factors are usually combined in the following proportion: 150 grams of fat and 350 grams of carbohydrates to 100 grams of protein.[1] The daily food allowance should give 3500 calories of heat to the average man engaged in moderate muscular work.[2] The quantity and the quality of food eaten, however, necessarily depend upon a number of factors, like sex, age, size, race, state of health, habits, character of work engaged in, and climatic condition. Ordinarily, a woman requires less food than a man; an old man eats less food than a young man; a small man needs less nourishment than a larger one; and a man engaged in mental labor consumes less food than one employed at manual labor. Accordingly, the diet should be graduated with these factors in view.

Another thing to consider in this connection is digestibility. Food should be rightly cooked. It should be eaten out of clean dishes on a clean table, in a pleasant atmosphere, and by a person who detaches himself from the cares and worries of a workaday life.

As to sleep, the normal person requires about eight hours of sleep out of each twenty-four hours.

[1] Nourse, *Agricultural Economics*, p. 91.
[2] *Idem*, p. 86.

But when one sleeps one should sleep sound. The degree of soundness, however, will depend upon one's bodily and mental state as well as the condition of the bed and currents of air. Hence after providing a proper bed, bedclothing, and proper ventilation, one should prepare one's body and mind for sleep. The body should be tired as the result of daily activity, and the mind should be freed from the cares and worries of life.

About Activity and Recreation.—One should be engaged in creative, congenial work in which one has an absorbing interest. Then when one is tired one should recuperate through recreation. To the mentally tired, physical exercise may be resting; while to the physically-fatigued mental activity may be refreshing. Generally a rest spells a change of activity, not idleness. But this change should in each case fit individual needs.

As to comforts, one should have such little comforts as proper chairs, lights, flowers, pictures, music, floor space, and ground space, to enable one to enjoy life fully. These comforts may depend largely on the individual and partly on environment.

The amount of money necessary to maintain an efficient standard of life does of course depend upon price ranges. One cannot, therefore, be fixed for all times and all places. In the next chapter, however, a quantity budget necessary to maintain a worker's family of five in health and decency is given.

Questions and Exercises

1. Discuss the relative merits of using per capita income and per capita expenditures as an index to the standard of life of a nation.
2. Make a list of the factors you would consider in determining the standard of living of a given person or family.
3. Report on the standard of living in China. For reference see the *Quarterly Journal of Economics,* November, 1918.
4. Discuss the relative importance of work, play, rest, and sleep as bearing on the standards of life. Reference, Fisher and Fisk, *How to Live,* Chap. IV.
5. Comment on the relation of serenity and poise to health. See Fisher and Fisk, *How to Live,* pp. 105–118.
6. Make a list of the physical, mental and moral traits known to possess inheritable elements. See Fisher and Fisk, *How to Live,* pp. 297–298.
7. Are narcotics detrimental to health? See Fisher and Fisk, *How to Live,* Sections IV and V.
8. Draw up a program that would give you a relatively efficient standard of life.
9. By how many people in the United States is an efficient standard of living attainable?

CHAPTER VI

MINIMUM QUANTITY BUDGET NECESSARY TO MAINTAIN A WORKER'S FAMILY OF FIVE IN HEALTH AND DECENCY [1]

(U. S. Bureau of Labor Statistics, 1920)

This budget constitutes a revision of the "Tentative Budget" for Washington, D. C. The revision was made in the light of the comments and suggestions evoked by the tentative study, supplemented by further investigations of the Bureau, and by the findings of a subcommittee of the National Conference on Social Work, and with reference primarily to the industrial worker.

A quantity budget has been adopted in this study since quantitative measurements furnish the only fixed standard applicable to all localities. Because of variations in prices the cost budget cannot be used generally. Of course, some items in the family budget cannot be expressed quantitatively, but the majority of them may be. A quantity budget similar to the one herewith presented has recently been priced in the District of Columbia, and it was found that almost 85 per

[1] This chapter was taken from "Standards of Living" published by the Bureau of Applied Economics, Inc., with the consent of Mr. Hugh S. Hanna.

cent of the total cost was made up of items for which a definite quantity had been expressed.

A family of five—husband, wife and three children below the age of 15—has been chosen because it conforms very closely to the average American family. The average number in the families included in the cost-of-living study made by the Bureau of Labor Statistics in 1918–19 was 4.9 persons, or 3.33 equivalent adult males. The standard family of five (husband, wife, girl aged 6, boy aged 12, boy aged 2), totaling 3.35 equivalent adult males, thus corresponds very closely to the "average" or "typical" American family.

Food

In the determination of a proper family dietary there are two standards which must be assumed at the beginning: (1) a standard food requirement in calories per man per day; (2) a standard table giving the food-consuming capacity of women and children in terms of a common unit—the equivalent adult male.

It has been estimated that the number of calories needed by a man at moderately hard muscular work is from 3000 to 3200 per day. About 10 per cent of the calorie value of food is wasted in preparation, cooking, etc., and also a small per cent of the food which enters the mouth is not digested or assimilated. Therefore, 3500 calories purchased represents approximately 3000 to 3200 calories actually consumed. Experience indicates that it is necessary to purchase this amount of

food per man per day in order to insure sufficient variety and quantity, both as to bulk and calorie content. If the housewife is a dietetic genius, 3500 calories per man per day purchased in the market may be a liberal allowance.

The relative proportions of the food consumed by the husband, wife, and children have been determined approximately by laboratory experiments and by estimates taking into account the factors of age, sex, weight, occupation, and activity. A scale showing relative amounts of food consumed by men and women at different kinds of work, such as hard muscular work, moderately active muscular work, light muscular work, and sedentary occupations, and by children of different sexes and ages, is available and could have been used in this instance but for the increased amount of labor which it would have entailed. In studies of such large scope as a country-wide cost-of-living survey, brevity is essential and the following abridged table of equivalent adult males has been found more practical and sufficiently accurate for general purposes, and it has, therefore, been adopted for use by the Bureau of Labor Statistics:

Male, 15 years or over	1.00
Female, 15 years or over	.90
Children, 11 to 14 years, inclusive	.90
Children, 7 to 10 years, inclusive	.75
Children, 4 to 6 years, inclusive	.40
Children, under 4 years	.15

The following food budget has been drawn up for a family of five, including husband, wife, and three children—boy, aged 12; girl, 6, and boy, 2.

According to the above standard, the calorie requirements of a man is taken as 1; that of a woman as 0.9; a boy of 12 years, 0.9; a girl of 6 years, 0.4, and a boy of 2 years, 0.15. The combined food requirements of this family would be equal to that of 3.35 adult males.

The quantity food budget submitted here as representing the food requirements of the standard family of five was obtained by averaging the actual amounts of foods used by 280 families selected from the cost-of-living survey made by the Bureau of Labor Statistics. The families were selected for special food analysis because they averaged in size approximately 3.35 equivalent adult males, and in the neighborhood of 3500 calories of food purchased per man per day. The food budgets in the Bureau's study were taken in great detail, giving, among other things, the amount of each article of food purchased for a year for each family scheduled. The 280 budgets used in this detailed calorie analysis represented about 25 cases from each of 11 representative cities.

The average food budget obtained from these 280 families was then carefully considered from the standpoint of health. For the most part, this average budget contains proteins, fats, and carbohydrates in sufficient quantities and in the right proportions. To make the average food budget acceptable to trained dietitians as a standard food budget, intended to maintain the standard family in health, it was necessary only to reduce slightly the quantity of meat and to increase slightly the

quantities of whole milk, fresh vegetables, and fruits.

Quantity of Food for a Family of Five.—The proposed standard food budget submitted herewith, therefore, includes the kinds and, in a large degree, the quantities of food actually consumed by actual workingmen's families. The proposed standard budget has not been worked out by theoretical "experts" in the secrecy of the laboratory. It is made up of things which real people eat day by day throughout the year. It must not be hastily inferred that no improvement can be suggested in the workingman's diet, because these workingmen's families ate sufficient food or about the proper kind. Only those families were included in the special food analysis whose diets measured up to the calorie requirements of sound dietetics. Had the food budgets of all families been averaged together, the showing would have been quite different.

Following is the budget showing yearly quantities in pounds:

ANNUAL QUANTITY OF FOOD FOR A FAMILY OF FIVE, INCLUDING HUSBAND, WIFE AND THREE CHILDREN (BOY AGED 12, GIRL 6, AND BOY 2)

Item	*Pounds*	*Item*	*Pounds*
Meat:		Pork, salt, bacon	19
Beef, fresh, steak	75	ham and shoulder	18
roast	63	side, dry	7
stew	47	pickled	2
Beef, salt, corned	10	Mutton, chops, roast, stew	26
dried	1	Poultry, hens	23
Veal, fresh, cutlet, roast, stew	13	Sausage	16
Pork, fresh, chops, roast	30	Liver	10
		Cooked meat, ham	8

Item	*Pounds*
Cooked meat, bologna	10
corned beef	
Fish:	
Fish, fresh	41
salt	5
canned salmon	10
canned tuna	2
Oysters	5
Crabs	6
Clams	
Dairy products:	
Milk, whole	1602
condensed, evap'ed.	65
Cream	3
Ice cream	8
Butter	80
Cheese, American	14
cottage	6
Fats, mixed fats, vegetable oil, etc.:	
Lard	37
Crisco	7
Lard, compound	13
Oleo	13
Nut margarine	4
Cottonseed oil	7
Mazola, etc.	
Eggs	102
Cereals and their products:	
Flour, wheat	332
rye	12
Graham	46
Cornmeal	25
Hominy or grits	12
Cream of Wheat	7
Corn flakes	4
Rolled oats	58
Bread, wheat	457
rye	22
Graham	2
Rolls	22
Crackers	18
Cake	15
Pies	4
Macaroni	33
Spaghetti	
Noodles	
Rice	44

Item	*Pounds*
Sugars:	
Sugar	163
Corn sirup	36
Molasses	
Honey	
Candy	10
Fresh fruits:	
Apples	219
Peaches	28
Bananas	54
Lemons	10
Oranges	100
Grapes	14
Berries	51
Cantaloupe	10
Watermelon	15
Pears and others	36
Grapefruit	32
Fruits, dried:	
Prunes	24
Raisins, currants	11
Fruits, canned:	
Peaches	23
Pineapple	2
Berries	22
Jelly	10
Fruit butters	
Vegetables, fresh:	
Potatoes, white	738
sweet	48
Cabbage	82
Spinach, kale & other greens	78
Peas	11
Beans, string	37
Tomatoes	130
Onions	74
Corn	36
Lettuce	10
Celery	7
Beets	24
Carrots	52
Turnips	40
Cauliflower	27
Parsnips	
Peppers	
Asparagus	
Cucumbers	
Radishes	

Item	*Pounds*
Vegetables, dried:	
Beans, navy	24
Peas	5
Beans, lima	15
Vegetables, canned:	
Beans, baked	5
Peas	10
Corn	19
Tomatoes	25
Soup	5

Item	*Pound*
Miscellaneous:	
Chocolate	
Peanut butter	
Cocoa	
Cornstarch	
Tapioca	
Tea	1
Coffee	4
Gelatin	
Ice	[1] 280

[1] Twenty-five pounds daily for four months.

Bureau of Labor Statistics and Department of Agriculture Budgets Compared.—The Department of Agriculture has prepared a quantitative estimate of weekly food supply for an average family, consisting of husband, wife, and three children under 14, whose ages total not less than 20 nor more than 24 years. The family on which the estimate is based is slightly larger in equivalent adult males than the family used in the food budget of the Bureau of Labor Statistics, and thus the amounts of food are somewhat higher than the requirements of a family of 3.35 equivalent adult male. Further than this, the nutrition experts of the Department of Agriculture recognize that the amounts of fresh fruits and vegetables in its budget are possibly higher than is absolutely necessary for health. For this reason a considerable difference in the two budgets exists in this food group. In all other classes of food the two budgets do not vary materially.

The following is a comparison of the Bureau of Labor Statistics food budget with the dietary standards established by the Department of Agriculture.

COMPARISON OF BUREAU OF LABOR STATISTICS AND DEPARTMENT OF AGRICULTURE BUDGETS, SHOWING WEEKLY QUANTITIES OF FOOD EXPRESSED IN POUNDS OF FRESH WEIGHT

Article	*Bureau of Labor Statistics*	*Department of Agriculture*
	Pounds	*Pounds*
Vegetables:		
Fresh, starchy	15.1	[1]
leafy	3.4	[1]
other	8.3	[1]
Canned	1.2	[1]
Dried (fresh weight[2])	5.1	[1]
Fruits:		
Fresh	10.9	[1]
Canned	.9	[1]
Dried (fresh weight[2])	4.0	[1]
Total, vegetables and fruits	48.9	70.0
Milk (14 quarts)	30.8	30.8
Meats (except bacon and salt pork), fish, poultry, cheese, eggs, etc.	11.8	10.5
Cereals and their products (flour, meal, rice, breakfast foods, macaroni, bread,[3] crackers, etc.)	19.0	16.0
Sweets (sugar, molasses,[4] sirup,[4] etc.)	3.9	4.5
Fat (butter, oil, lard, bacon,[5] salt pork,[5] cream, etc.)[5]	3.7	4.0
Total (exclusive of tea, coffee and condiments)	118.1	135.8

[1] Vegetables and fruits are not subdivided in the Department of Agriculture's budget.
[2] Six times dried weight equals fresh weight.
[3] One pound of bread equals three-fourths pound of flour.
[4] One pound of molasses, sirup or candy equals three-fourths pound of sugar.
[5] One pound of bacon or salt pork equals three-fourths pound of butter, and one pound of cream equals one-fourth pound of butter.

The Department of Agriculture employs fresh and equivalent weights in its estimate. One pound of dried fruit and vegetables is counted as six pounds of fresh, and the weight of cereals, sweets,

and fats is converted to equivalent pounds of flour, sugar, and butter, respectively. For the purpose of comparison, the Bureau of Labor Statistics budget has been computed by approximately the same method.

Variety of Foods Available in Different Seasons.—The food budget, however, in either of the forms in which it has been presented, does not offer to the social worker, or to the housewife, a practical guide in the purchasing of a health-producing dietary. In order to assist in buying, or to serve as a check against quantities ordinarily purchased, the weekly quantities of the actual articles of food embraced in the budget have been segregated into (1) year-round foods, (2) special summer foods, and (3) those which will probably be used during the winter season when the price of fresh fruits and vegetables prohibits their purchase.

The budget as a whole consists of 5961 pounds of food (dry weight) per year, or approximately 115 pounds per week, for the family. About 100 pounds per week are articles of food of a more or less stable character which may be purchased at any season of the year. These foods have been placed in the year-round group, leaving 15 pounds of food per week to be made up from the seasonal groups. The foods which are abundant only in the summer season make up a weekly average of 7.6 pounds; those which are available in the winter season, 6.1 pounds. These averages, however, are on the basis of 52 weeks, and to ascertain the quantity per week of the season (ap-

proximately 26 weeks) in which they are to be used, it will be necessary practically to double the listed quantities of winter and summer-season foods. Following is the list of year-round, winter-season and summer-season foods, showing the average weekly quantity of each allowed in the budget.

AVERAGE WEEKLY QUANTITIES OF YEAR-ROUND, WINTER-SEASON, AND SUMMER-SEASON FOODS CONTAINED IN BUDGET

YEAR-ROUND FOODS

Article	*Pounds*	*Article*	*Pounds*
Meat and fish	8.5	Sugar	3.1
Eggs	[1] 2.0	Corn sirup, molasses and honey	.7
Milk, whole	[2] 30.8	Apples	4.2
Condensed and evaporated milk	1.2	Oranges	1.9
Cheese	.4	Bananas	1.0
Butter (including oleo and nut margarine)	1.8	Potatoes	14.2
Lard, Crisco and compounds	1.0	Sweet potatoes	.9
Flour	7.5	Cabbage	1.6
Cornmeal	.5	Spinach, kale and other greens	1.5
Rice	.8	Onions	1.4
Bread and rolls	9.6	Coffee	.8
Breakfast foods	1.3	Tea	.2
Cakes and pies	.4	Miscellaneous	2.0
Crackers	.3		
Macaroni, Spaghetti	.6	Total	100.2

WINTER-SEASON FOODS [3]

Article	*Pounds*	*Article*	*Pounds*
Grapefruit	0.6	Navy beans	0.5
Prunes	.5	Lima beans	.3
Canned peaches	.4	Canned peas	.2
Canned berries	.4	Canned corn	.4
Carrots	1.0	Canned tomatoes	.5
Turnips	.8		
Beets	.5	Total	6.1

[1] 1.33 dozen.
[2] 14 quarts.
[3] Quantities to be doubled during the winter season, November to April, inclusive.

SUMMER-SEASON FOODS [1]

Article	*Pounds*	*Article*	*Pounds*
Peaches	0.5	Tomatoes	2.5
Grapes	.3	Corn	.7
Berries	1.0	Lettuce	.2
Watermelon	.3	Miscellaneous vegetables	.5
Miscellaneous fruits	.7		
Peas	.2		
Beans, string	.7	Total	7.6

[1] Quantities to be doubled during the summer season, May to October, inclusive.

In listing these foods and the average weekly quantities, it is not the intention to recommend that the housewife who buys food for a family of five should attempt to secure either these exact foods or the specified quantities. The articles and quantities will necessarily have to be treated with a large degree of elasticity. In the year-round foods it will, of course, be advisable to vary the amounts according to the season, using more fats and carbohydrates during the winter and less during the summer when heat-producing foods are not so much required. Especially will this be true of fat meats, cornmeal, macaroni, rice, beans, etc. On the other hand, eggs, apples, cabbage, spinach, kale, etc., although available throughout the year, will probably be used in greater quantities in summer than in winter.

On account of variations in the length of seasons in different sections of the country, as well as the overlapping of foods from one season to the other, a general grouping of seasonal foods is extremely difficult. Grapefruit, for instance, while primarily a winter fruit, may be secured in some of the months usually classed in the summer

season. Many families also make it a practice to use navy and dried lima beans and canned fruits and vegetables in the summer as well as in the winter season.

The list will prove valuable only as a guide in suggesting the variety of foods available during the different seasons of the year and indicating something of the relative proportions in which they may be purchased in order to furnish a family of five with a dietary which will promote health.

Clothing

The level of health and decency in clothing has been interpreted as a level which not only takes into account the physical needs of warmth, cleanliness, and comfort, but also has such regard for appearance and style as will permit the family members to appear in public, and within their necessarily rather narrow social circle with neatness and self-respect. In other words, the clothing standards of the family should provide a fair degree of that mental satisfaction which follows being reasonably well dressed. But, while admitting the desirability of this more generous wardrobe, an effort has been made to allow only those quantities of clothing consistent with the minimum requirement for health and decency, and, where a doubt has existed, to err on the side of conservatism.

The clothing budget herewith presented has at its basis the clothing budgets of approximately 850 families having three children under 15 years

of age, which were included in the survey of the Bureau of Labor Statistics in 1918–19. This basic material was first modified as the result of a large number of interviews with families in Washington, D. C. The material was then published in tentative form (*Monthly Labor Review,* December, 1919, pp. 22–29) as applying to the family of a clerical worker in Washington. Criticisms and suggestions from clothing experts all over the country have been received, and that budget has been made over into the manual worker's family clothing budget here submitted. The clothing budget, like the food budget, is made up of articles actually worn by real workers and their families. The modifications made in the average clothing budget of the families studied in order to arrive at a standard clothing budget are much more extensive than in the case of the food budget. The articles of clothing are the same in both the actual average budget and the proposed standard budget, but the quality of material and the yearly replacement in the latter have been determined very largely by special study.

The quantities listed in the clothing budget are the annual replacements, not the number of garments possessed at any one time. For example, in the husband's clothing budget the annual replacement of a summer suit is given as one-third, which means that one summer suit is expected to last three years. Allowance is made for the purchase of two winter union suits each year, but this does not mean that the worker possesses only two sets of winter underwear. He may have six

sets or any other number, but with reasonable care he can manage comfortably by purchasing two suits a year.

In preparing this quantity budget, a considerable amount of sewing at home has been assumed as possible, and has been indicated accordingly. When more than the specified amount is done, a saving may be effected, or the family clothed more abundantly. On the other hand, where little or no home sewing can be done, the number of garments allowed will be barely sufficient to maintain decency. The investigations of the Bureau of Labor Statistics show that during the war clothing purchases of the average worker's family were considerably curtailed. When it is necessary to economize, the expense for clothes may be greatly reduced for a season or two, but the result of allowing the whole clothing budget to become depleted creates a serious situation in family expenditures.

In order to make the yearly clothing budgets more serviceable as a guide in buying, the annual replacements for each member of the family have been divided into year-round, summer, and winter clothing.

In basing the quantities of clothing on what has been considered reasonable length of wear, it has been necessary to assume that clothing purchased in conformity with this budget will be of good average quality.

Clothing Budget of a Family of Five.—The clothing budgets of the husband, wife and three children are given below:

ANNUAL QUANTITY OF CLOTHING FOR A FAMILY OF FIVE, INCLUDING HUSBAND, WIFE AND THREE CHILDREN (BOY AGED 2, GIRL, 6, AND BOY, 12)

HUSBAND

Article	*Replacement per Year*	*Article*	*Replacement per Year*
Summer Clothing		Year-round Clothing—Con.	
Hats, straw	1	Socks, cotton	12
Union suits	3	Shoes:	
Suits	⅓	Dress	½
Winter Clothing		Work	2
Hats, felt	½	Shoe repairing:	
Overcoats	¼	Whole soles	1
Sweaters	½	Half soles and heels	1
Union suits	2	Rubbers	½
Suits	⅓	Gloves:	
Gloves, leather, street	1	Cotton, work	6
Year-round Clothing		Collars	6
Caps	1	Ties	2
Work trousers (or overalls)	2	Handkerchiefs (cotton)	8
Shirts:		Garters	2
Dress	1	Belts	⅓
Work	5	Suspenders	1
Nightshirts	2	Umbrellas	⅓
		Cleaning and Pressing (suit)	1
		Miscellaneous[1]	[1]

[1] Lump sum of money equal to about 7 per cent of total cost of husband's clothes.

WIFE

Article	*Replacement per Year*	*Article*	*Replacement per Year*
Summer Clothing		Summer Clothing—Con.	
Hats	1	Petticoat, muslin	1
Skirts, cotton, wash	½	Shoes, low	1
Waists, cotton (to be made at home)	3	Gloves, cotton	1
Waist dress	½	Winter Clothing	
Dresses, cotton, thin (to be made at home)	2	Hats	½
Union suits	2	Suits, wool	½
		Dresses, wool	½

WIFE—*Continued*

Article	*Replacement per Year*	*Article*	*Replacement per Year*
Winter Clothing.—Con.		Year-round Clothing—Con.	
Coats, wool	⅓	Brassières	2
Petticoats (Venetian cloth or sateen)	1	Nightgowns, muslin	2
Union suits	1	Kimonos	½
Shoes, high	1	Stockings (cotton)	8
Gloves (not kid)	½	Shoe repairing:	
		New heels	3
Year-round Clothing		Half soles and heels	1
House dresses	2	Handkerchiefs (cotton)	8
Aprons, kitchen (to be made at home)	1	Umbrellas	½
Corsets	2	Rubbers	1
Corset covers	2	Cleaning and pressing (suit)	1
Combinations, muslin	2	Miscellaneous	[1]

BOY, 12 YEARS OF AGE

Article	*Replacement per Year*	*Article*	*Replacement per Year*
Summer Clothing		Year-round Clothing	
Trousers, separate, cotton	2	Caps	2
Overalls	1	Suits, wool	1
Union suits	3	Shirts or blouses, cotton	5
Shoes, low	2	Pajamas or nightshirts	2
		Stockings, cotton	12
Winter Clothing		Shoe repairing (half sole and heels)	5
Trousers, separate, wool	1	Rubbers	1
Overcoats or mackinaws	½	Ties	2
Sweaters	½	Handkerchiefs, cotton	6
Union suits	2	Garters (to be made at home)	2
Shoes, high	3	Belts	½
Gloves (knit)	2	Miscellaneous	[2]

[1] Lump sum of money equal to about 8.5 per cent of total cost of wife's clothing.

[2] Lump sum of money equal to about 3 per cent of total cost of 12-year-old boy's clothing.

GIRL, 6 YEARS OF AGE

Article	*Replacement per Year*
Summer Clothing	
Hats	1
Dresses, cotton (to be made at home)	6
Petticoats, muslin	2
Shirts	3
Drawers, muslin	5
Nightgowns (cotton)	1
Shoes, low	2
Winter Clothing	
Caps or hats	½
Dresses, wool (to be made at home)	½
Coats, wool	½
Sweaters	½
Petticoats (outing flannel)	1
Shirts	2
Drawers, knit	2
Nightgowns, outing flannel	1
Shoes, high	3
Gloves or mittens, knit.	1
Year-round Clothing	
Aprons (to be made at home)	1
Underwaists	4
Stockings, cotton	12
Rubbers	1
Handkerchiefs, cotton	6
Garters	2
Miscellaneous	[1]

BOY, 2 YEARS OF AGE

Article	*Replacement per Year*
Summer Clothing	
Hats, duck	1
Undershirts	3
Drawers	3
Nightgowns, muslin	1
Shoes, low (sandals)	2
Winter Clothing	
Caps	1
Overcoats	½
Sweaters	½
Undershirts	2
Drawers	2
Nightgowns, outing flannel	1
Shoes, high	2
Mittens, knit	1
Year-round Clothing	
Dresses, cotton suits, rompers, overalls, etc. (to be made at home)	3
Underwaists	4
Stockings and socks, cotton	10
Garters	2
Miscellaneous	[2]

[1] Lump sum of money equal to about 8.5 per cent of total cost of 6-year-old girl's clothing.

[2] Lump sum of money equal to about 6 per cent of total cost of 2-year-old boy's clothing.

Individual tastes and variations in climate will, of course, make many changes and adjustments necessary for each family. Occupational requirements will also enter in, especially in the clothing budget of the husband. These variations could not be taken into consideration in preparing a general budget for a standard workingman's family.

It is highly important to consider the clothing budget of each individual member of the family. In the husband's clothing, for instance, allowance has been made for the purchase of only two pairs of work trousers or overalls each year. This appears small until considered in conjunction with the allowances for suits. A summer suit and a winter suit, each to last three years, have been allowed. In other words, the purchase of two suits in three years has been provided, which means that every eighteen months on the average the workingman will be able to supplement his work clothes with one suit of discarded "dress up" clothes. Assuming that the workingman's "Sunday" clothes are not subjected to very hard use, these suits when ready for everyday wear may reasonably be expected to form the major part of his work clothing, and not more than two additional pairs of work trousers will be required each year. Since suit coats usually outwear the trousers, no separate coats to wear with the work trousers have been deemed necessary.

No quantitative allowances have been made for raincoats, slippers, bathrobes, purse, repairs to watch, or any other item of clothing expense which

occurs only occasionally. However, a lump sum of money equivalent to something like 7 per cent of the total cost of the husband's clothing has been allowed to cover purchases of this character.

In the wife's clothing, the two new house dresses to be purchased each year may prove inadequate unless the old summer dresses of previous seasons are worn as everyday house dresses also.

Few women, especially where the climate permits of uniform underwear throughout the year, will wear all the varieties of underwear listed, i.e., winter union suits, summer union suits, combinations, corset covers, brassières, petticoats, etc. However, the quantities listed under each are small, and where fewer kinds of articles are worn a larger quantity of each will be required.

This is distinctly a health and decency budget, with little provision for "style" or fashionable dress. No allowance has been made for an afternoon dress of silk, a silk petticoat or silk stockings. Although these articles are doubtless desirable, a wool dress, a suit skirt with a dress waist, a Venetian cloth or sateen petticoat and lisle or cotton stockings will supply all that is absolutely essential for health and decency.

To care for the multitudinous purchases of "extras," such as dress shields, veils, hair nets, hairpins, combs, slippers, handbag, dress trimmings, thread, buttons, etc., a lump sum of money about 8.5 per cent of the total cost of the wife's clothing has been suggested.

The clothing needs of growing children are

almost beyond the ability of the budget-maker to ascertain or estimate. A reasonably generous clothing allowance has been made for the children, but it is expected that some clothing will be handed down and made over for the younger children, in order to get along on the amounts specified.

In practically all the families visited in the Bureau of Labor Statistics' investigations there seems to be a general agreement that the expense for shoes and stockings for children is one of the serious drains on the family's finances. For the boy of 12, the budget allows for the purchase every year of three pairs of high shoes and two of low, with one repairing of half soles and heels for each of the five pairs. For the girl of 6 years, three pairs of high and two of low are allowed; for the boy of 2 years, two pairs of high shoes and two of sandals. In the case of the two younger children, shoe repairing is not considered feasible and provision has not been made for it.

Housing

A housing standard based upon health requirements must consider primarily air space, ventilation, lighting, sanitation, privacy and proper separation of the sexes. In applying these requirements to particular dwellings, the factors to be taken into account are number of rooms per person, sanitary conveniences, floor space, window space, location, and frontage. The standard suggested below is for urban industrial communities,

and conforms quite closely to actual housing conditions existing in industrial centers of the country.

Number of Rooms.—Figures collected by the Bureau of Labor Statistics in the 1918-19 study indicated that the majority of workingmen's families of average size and average income lived in houses which furnished approximately one room per person.

For 20 cities selected at random, and including all families scheduled, regardless of size or income, those living in houses average 1.007 rooms per person, and those in flats and apartments 0.931 room per person. The standard health and decency budget must provide at the very least as many rooms per person as the average family were found to occupy. A housing standard of one room per person, exclusive of bath, has, therefore, been adopted as the minimum requirement consistent with health and decency.

For the average family of five persons a house of five rooms, consisting of living-room, dining-room, kitchen, and two bedrooms, should be provided as the minimum health and decency. For the standard family, composed of husband, wife, and three children, boy aged 12, girl aged 6, and boy 2, three sleeping rooms are needed in order to secure reasonable privacy—one bedroom for the parents and two for the children, one for each sex. To meet this need the living-room can be arranged so as to be adaptable for sleeping purposes. Several arrangements are possible. A very practicable one would be to have three bed-

rooms, a living-room and a combination kitchen and dining room. Still another would give a combined living- and dining-room, kitchen, and three bedrooms, or two bedrooms, and a "parlor." The latter arrangement is especially desirable as the children grow up and begin to receive visitors in the home.

Size of Rooms.—Thus far only the number of rooms has been considered. For purposes of health it may be conceded that floor space is of more importance than the mere number of rooms. The size of the various rooms adopted by the Bureau of Industrial Housing and Transportation of the Department of Labor, which undertook the war housing of the Government other than that required for shipbuilders, is given below.

	Minimum Size
Large bedroom	10 x 12 ft.
Small bedroom	8 x 10 ft.
Parlor or living-room	10 x 12 ft.
Dining-room	9 x 12 ft.
Kitchen (where there is no separate dining-room)	10 x 12 ft.

These standards are for the different rooms in detached, semi-detached, flat, or row houses, and represent the combined judgment of 25 architects, sanitary inspectors, builders, and students of housing. It does not, however, seem advisable to incorporate in the housing standard to be adopted rooms of exactly the size prescribed in the above specifications.

Especially is this true since the standard herewith presented permits of considerable variation in arrangements. If only two bedrooms are provided, both of them should be of the "large" type,

10 x 12 feet. For a family of five, the "small" bedroom, 8 x 10, will scarcely be practicable, unless three sleeping-rooms are to be provided. Whether a combined kitchen and dining-room, or a combined living- and dining-room, is selected, a room larger than 10 x 12 is desirable. Assuming any of the arrangements possible in a five-room house, approximately 560 square feet of floor space, exclusive of bath, is the minimum health and decency requirement for the standard family of five persons. When space is provided for bathroom, closets, hall and storage space, the gross area of the standard house of five rooms has been fixed at 660 square feet. This gives little enough floor space for a family of five persons.

Light and Ventilation.—In the matter of light and ventilation, the requirements set up by the Bureau of Industrial Housing and Transportation of the Department of Labor seem to be entirely satisfactory. The paragraphs on ventilation are as follows:

Every room to have at least one window opening directly to the outer air. Two windows in each room generally preferred; one window sufficient in small bedrooms. Each room to have a window area of not less than 12 square feet.

Cross ventilation as direct as possible to be provided for all rooms through windows, transoms, or doors; communicating door recommended between front and rear bedrooms in row houses.

Every bathroom to have window of not less than 6 square feet in area, opening directly to the outer air.

Sanitation and Drainage.—In the 20 cities of the 1918–19 study of the Bureau of Labor Statistics selected, the families included over four fifths of those in flats and apartments and over three fifths of those in individual houses had inside water-closets. Over one half of the families in both multiple dwellings and individual houses also had baths. It is felt that a housing standard which is to provide health and decency must include a complete bathroom, with toilet.

In connection with the standard house, such drainage should be provided as will render impossible stagnant pools on the premises or the collection of water in the cellar or underneath the house.

Construction and Arrangement.—A house must, of course, be built in compliance with housing laws, local building codes, and ordinances. The roof must be watertight and the walls substantially and durably constructed so as to resist heat and moisture, according to the climatic conditions of the locality.

Accepting the constructional standards recommended by the Bureau of Industrial Housing and Transportation, the standard house should provide for closet or storage space. The halls, stairs, and doors should be so constructed and located as to permit of easy moving of the furniture.

Porches are highly desirable and should be durably constructed. In most latitudes the porches may be made to serve all the year around as an additional sleeping-room.

Neighborhood and Surroundings.—It is presumed that the standard house for the workingman's family will be located in a neighborhood with reasonably well maintained streets and fairly accessible to means of transportation, playgrounds and places of amusement and recreation. What is commonly termed a "slum" would not supply the proper neighborhood surroundings for a house intended to supply the minimum requirements of health and decency.

Heat and Artificial Light.—It has not seemed feasible to adopt any special form of heating for the standard workingman's house. There is a wide range of means by which adequate heating may be had. Whatever the method of heating, however, it should be such as to permit of heating the principal living-room to a temperature of 68° F. in the coldest weather in any given locality. Small open grates in houses without double walls or air spaces in states as far north as Pennsylvania, as were found in the company housing survey of the Bureau of Labor Statistics, would not be in compliance with this standard.

Fuel consumption depends so much upon geographical location and climatic conditions that an attempt to establish minimum quantity standards seems impracticable. A definite standard for fuel would be complicated further by the various sizes and kinds of coal. In lighting, the various systems of gas, electricity, and kerosene offer another obstacle to quantity standards, since the system used usually does not depend so much upon the desire of the family as upon the character and equipment of the house.

UNIVERSITY OF MARYLAND

Furniture and Furnishings.—No standard quantity budget has yet been established for the upkeep of household equipment. The Bureau of Labor Statistics has, however, worked out a list of furniture, furnishings, and utensils necessary to equip completely a house of five rooms—living-room, dining-room, kitchen, and two bedrooms—occupied by the standard family of five persons. The list of articles, together with a brief description, is given below.

NECESSARY HOUSEHOLD EQUIPMENT

FURNITURE

Article	*Number*	*Description*
Refrigerator	1	Smallest size and make sufficient in capacity for economical preservation of food and economy in the purchase of ice.
Tables:		
Dining-room	1	Oak extension table, plain, durable quality.
Living-room	1	Oak, plain, durable quality.
Kitchen	1	48-inch pine table, with 1 drawer.
Chairs:		
Dining-room	6	Plain durable oak.
Bedroom	4	Strongly made.
Living-room	4	Oak or other durable wood.
Kitchen	1	Painted wood.
High chair	1	
Rugs:		
Living-room	2	Small Axminster rugs.
Dining-room	1	Large Crex or Rattania.
Bedrooms	4	Rag or Crex rugs, 3 by 6 feet.
Go-cart	1	Folding, with metal framework and cloth top.
Sewing machine	1	Standard make.
Settee or davenport	1	Oak or other durable wood, imitation leather upholstery.
Sideboard	1	Medium size, oak.
Bureaus	2	Plain bureau; 1 white painted bureau.

FURNITURE—*Continued*

Article	*Number*	*Description*
Chiffonier	1	White painted wood.
Beds, mattresses & springs;		
Double	1	Bedstead, plain (to match bureau); durable felt mattress and spring.
Single	2	Each: White enameled bedstead; durable felt mattress and spring.
Crib, mattress and spring	1	White enameled.

FURNISHING

Article	*Number*	*Description*
Towels:		
Kitchen hand towels	3	Cotton.
Bath towels	10	Turkish.
Hand towels	12	Part linen.
Tablecloths	3	Cotton, to be hemmed at home.
Table cover	1	For use when table is not set.
Napkins	18	Part linen, 22-inch.
Blankets:		
Pair double-bed size	1	Part wool.
Pair single-bed size	2	
Pair crib size	1	
Comforts:		
Double-bed size	1	Cotton, silkaline covered.
Single-bed size	2	
Crib size	1	
Spreads:		Good grade of rippelette, medium weight; number sufficient to provide for laundering.
Double-bed size	2	
Single-bed size	3	
Pillows:		
Ordinary size	4	Mixed feathers.
Crib size	1	
Sheets:		
Double-bed size	4	Number sufficient to provide for laundering.
Single-bed size	6	
Crib size	4	
Pillowcases:		
Ordinary size	8	Number sufficient to provide for laundering
Crib size	3	
Dish towels	8	Cotton, to be hemmed at home.
Table oilcloth	1	For pine table.

UTENSILS

Article	*Number*	*Description*
Laundry tubs	2	Medium size, galvanized
Washboard	1	Zinc.
Wringer	1	Medium size.
Boiler	1	Medium size, with copper bottom.
Flatirons	3	4, 5 and 6-pound irons.
Mops	2	1 handle for scrub mop, and one 16-ounce dry mop.
Brooms	2	Good quality broom.
Dishes:		
50-piece set	1	Plain.
Water pitcher	1	Plain heavy glass.
Vinegar cruet	1	Do.
Oil cruet	1	Do.
Salt shaker	1	Do.
Pepper shaker	1	Do.
Tumblers	6	Plain.
Knives, forks, etc.:		
Butter knife	1	
Sugar spoon	1	
Knives	6	Quadruple plated, plain.
Forks	6	
Teaspoons	12	
Tablespoons	6	
Carving set	1	Good quality steel knife and fork, and sharpener.
Kitchen utensils:		
Refrigerator pan	1	Galvanized.
Ice pick	1	Small, with wooden handle.
Garbage pail	1	Galvanized, medium size.
Towel rack	1	Wood, with three rods.
Soap dish	1	Wire.
Dish pan	1	Enameled.
Dish drainer	1	Heavy wire, with plate holders.
Teakettle	1	Enameled.
Coffee pot	1	Gray enamel.
Preserving kettle	1	Do.
Teapot	1	Do.
Jelly glasses	36	With covers.
Fruit jars	36	Jars holding 1 quart.
Stewpans or kettles	2	Enameled.
Cake pans	2	Heavy, pressed tin.
Pie pans	2	Pressed tin.
Bowls	2	
Large bread pans	2	Pressed tin.

UTENSILS—*Continued*

Article	*Number*	*Description*
Bread-raising pan	1	Heavy tin, with cover.
Roasting pan	1	Medium size.
Bread box	1	
Frying pans	2	1 small pan, 1 medium sized iron pan.
Double boiler	1	Enameled, holding 1 quart.
Muffin pan	1	Tin, for 1 dozen muffins.
Colander	1	Gray enamel.
Chopping bowl and knife	1	Medium-sized bowl, single knife.
Meat grinder	1	Medium.
Potato masher	1	Wire, with wooden handle.
Egg beater	1	Medium size and weight.
Grater	1	Tin.
Strainer	1	
Bread board	1	18 by 24 inches.
Large salt shaker	1	
Biscuit cutter	1	Tin.
Rolling pin	1	
Flour sieve	1	Medium size.
Measuring cup	1	Tin or aluminum.
Lemon squeezer	1	Glass.
Can opener	1	
Large knife	1	
Case knives and forks	2	
Paring knife	1	
Wooden spoon	1	
Mixing spoons	3	
Pancake turner	1	

This budget assumes the existence of an equipment of household furniture similar to the above, since it is generally true that married couples purchase the major part of their household furniture either at or shortly after marriage. Consequently, the problem is to provide only for the necessary annual upkeep.

Conclusions as to the amount necessary for the annual upkeep of furniture and household furnish-

ings for a family of five have been based on approximately 100 schedules, showing one year's expenditures for furniture and furnishings, secured in 1918–19 by the Bureau of Labor Statistics from families consisting of husband, wife and three children under 15 years of age, living in large eastern or middle western cities and having a total annual expenditure of $1500 and under $2100.

Inasmuch as the families studied spent annually from $1500 to $2100, they were presumably living at a fairly decent and healthful standard. Their household equipment, therefore, may be regarded as reasonably sufficient both in quantity and quality, although, of course, not luxurious. From the special study of the expenditures of these families for furniture and furnishings, the Bureau of Labor Statistics has calculated tentatively that the amount of annual upkeep of household equipment approximates 7 per cent of the total cost of purchase. In the budgets which the Bureau of Labor Statistics has prepared, the practice has been followed of ascertaining the approximate cost at current prices of the above list of household equipment and then allowing 7 per cent of the total renewal cost for annual upkeep. Such a figure, however, is of no use in determining a quantity standard, but it is a guide to the amount which should be allowed in the cost budget.

Miscellaneous.—Under miscellaneous expenditures a quantity standard is possible in only a limited number of items. Following are the principal miscellaneous items which must be provided for in the cost budget of the family:

Laundry work
Cleaning supplies and services
Maintenance of health
Insurance:
  (*a*) Life (disability)
  (*b*) House and furniture
Carfare:
  Husband
  Wife and children
Amusements and recreation
Newspapers
Organizations:
  (*a*) Church
  (*b*) Labor
Incidentals, including—
  Tobacco
Telephoning and telegraphing
Stationery and postage, etc.

Expenditure for assistance with laundry work may not be considered possible in the family of an industrial worker. However, from the standpoint of health, it seems that the mother of three children who must do the cooking for the family, the general cleaning of the house, the sewing and mending, the marketing and shopping should be allowed assistance with the family laundry work and scrubbing, amounting to one day per week.

The following quantities seem to provide the minimum requirement of cleaning supplies and services to insure personal and household cleanliness:

CLEANING SUPPLIES AND SERVICES

	Quantity
Personal:	
Toilet soap, small bar	90
Toothbrush	5
Toothpaste, tube or box	12
Combs, hard rubber	1
Hairbrushes	½
Shoe polish, box	6
Barber's services—	
Husband, hair cut	12
Children, hair cut	8
Household:	
Laundry soap, ½-pound bar	150
Starch, pound	6
Cleanser, box	36
Small lump sum for unspecified cleaning supplies and services, such as borax, ammonia, washing powder, bluing, insect powder, etc.	

Some allowance must, of course, be made for the maintenance of health. This item includes expenditures for physician, dentist, oculist, glasses, and drugs, including prescriptions and prepared remedies.

No definite number of doctor's visits can be assumed as necessary, but aside from the occurence of major illnesses, colds and the various diseases of childhood will doubtless make a doctor's services necessary at some time during the year.

At least one visit to the dentist during the year for three members of the family will be necessary, and rarely does one visit prove sufficient.

There is, however, no available quantitative measurement, and the Bureau of Labor Statistics, in preparing budgets, has had to resort to the average expenditure for health of large numbers of families investigated.

In the first standard budget prepared by the Bureau of Labor Statistics provision was made for a life insurance premium sufficient to pay for a $5,000 policy for the head of the family. This was considered the absolute minimum for protection and safety, since in the event of the husband's death it would furnish an income to the wife and children of not over $300 a year, or $6 a week. With the increased cost of living this amount is clearly insufficient. To give the same degree of protection as was accorded in 1914 by a $5000 policy it would now be necessary for the husband to carry $10,000. Granting that, in order to help carry the burdens of the war, the workingman

and his family must make some sacrifices in their standards of living, it would certainly be inadvisable at this time to advocate a policy of less than $7500 for the head of the family.

It is highly important that every family should carry insurance on the family dwelling, if owned, and on household furniture. The loss of household equipment is an extremely serious matter to a family of low income. The budget should provide for the premium on a policy large enough to cover the replacement cost of the family's essential personal property in case of loss by fire.

The quantitative standard for carfares will have to be determined locally in each city for which a budget is prepared. If the husband is compelled to ride regularly to and from his work, at least 600 rides will be required.

If the wife is compelled to use a street car for shopping and marketing, the necessary allowance must be made for this also.

It is impossible to establish quantity standards for amusements and recreations. The importance of recreation as a factor in healthy living need not, of course, be emphasized. It is accepted as an everyday fact. The only question is as to the character and cost of such recreation. Much wholesome amusement arises naturally within the circle of a family and its friends, and costs nothing. On the other hand, the complexity of modern city life places a money price on many simple and desirable forms of amusement. Thus a picnic for a family, or a visit to the park, involves a considerable item of carfare, while a trip on the river

will cost a dollar or more. Moreover, occasional visits to the moving pictures are to be expected of at least some members of a family. Thus, even though the more expensive forms of amusement and recreation, such as summer vacations, are eliminated, some expenditures for this item are absolutely necessary if a family is not to lead a completely isolated life.

One daily newspaper should be provided for the workingman's family, and at least one good magazine is indispensable for a proper standard of living.

Organizations, such as the church and labor unions, play such an important part in the life of the average worker and his family that some expenditure on this account must be regarded as essential to normal living, but no quantitative standard can be established.

In addition to the items listed above there are a large number of other expenses, mostly small or occasional, which cannot be entirely avoided by a worker's family—such, for instance, as stationery and postage, telephoning and telegraphing at times, tobacco, etc. No minimum quantities for these items can possibly be specified, and the only solution is to grant a modest sum of money to cover expenditures for incidentals.

CHAPTER VII

EFFECTS OF ADVERTISING, SALESMEN, AND FRIENDS

In Chapter VI, the probable quantity needed for a minimum standard of health and decency was discussed. It will now be interesting to show the importance that certain factors play in individual expenditures. Chapters VII, VIII, IX, X, and XI will be devoted to a discussion of these factors. We shall begin with advertising, salesmen, and friends.

Views in Respect to Choices.—At the present time, there are two prevailing ideas with respect to choices in buying consumption goods and services. Some writers affirm that the consumer rarely, if ever, decides what he will buy. They believe the consumer, while he does not always know it, merely consents to buy goods and services other people want him to purchase. Another group of writers allege that the consumer is the sole person who determines what he will or will not buy. The first view is characterized in these words:

> In the last fifty years, there has grown up, notably in the United States, a system of distribution which, in my opinion, is calculated to influence and does influence the ideals and habits of the people very profoundly. This system does not confine its functions to furnishing what it is found that the consumer wants, but exerts a subtle but powerful and far

reaching influence in determining what the consumer shall want and what he shall buy.

So it has come to pass that, in spite of society's effort to encourage and educate our power to make independent choices, whether we will spend our money or not and what we will spend it for depends largely upon the will of the producers and distributers of commodities by whom we are assailed. We consumers are about as unconscious of this influence as we are of increased pressure of the atmosphere when we descend from the mountain to the valley, but the facts are fully demonstrated by figures.

I claim that, through this influence of aggressive marketing, consumers are caused to buy when they should not spend their money; are caused to buy wrong things instead of things suited to their needs; are distracted from choosing wisely and are afforded insufficient facilities to aid in wise selection.

. . . . . .

Is the consumer afforded proper facilities to enable him to choose wisely? In the opinion of the writer there is no department of our social life which leaves so much to be desired. We Americans are far abler to turn our efforts into dollars than to turn our dollars into real utility values. We work hard and successfully to earn money, but then we "spend our money for that which is not bread and our labor for that which satisfieth not." When our forefathers fashioned with their own hands that which they were to use, the manual effort was an automatic restraint upon spending it for useless things. But we now work for money and have no conception of its value. It is here that we are at sea. In the absence of dominating life purpose and definite plan, we drift. We are peculiarly susceptible to the influence of sales persuasion, printed and oral, and we are woefully without real intelligent guidance.[1]

The second point of view is expressed in these words:

When the consumer buys, he does the choosing. He asserts his particular individuality. He expresses his likes or dis-

[1] Harris, *Coöperation, the Hope of the Consumer*, pp. 5, 6, 21.

likes down to the most subtle differences. He weighs value between this and that brand of a similar product. He discriminates; he wants what he wants—and he gets it.[1]

The truth of the matter likely lies between the two extreme views. Consumers are generally influenced by outside stimuli and inward action in the purchasing of goods.

Advertising.—At present, advertising is recognized by some as an indispensable aid to selling goods and services. Its relative significance may be shown from several angles. It is thought that business solvency partly hinges on advertising. In 1920, over 84 per cent of the financial failures were among firms that did not advertise.[2] Measured in dollars and cents, advertising is the most important form of education in the United States. Approximately $1,000,000,000 is annually spent in the United States for advertising. This sum is greater than the amount expended on all other types of education, even if we include the expenditures for instruction in public and private schools from the elementary grades to the university. More specifically, for every dollar spent in advertising, only about seventy cents is expended for other forms of education.[3] To reflect further on the popular place advertising holds in the minds of some business men, a few concrete examples showing the annual amount certain firms pay for advertisement are here given. In 1910, the American Tobacco Trust spent $11,000,000 for advertis

[1] Quoted in Copeland's *Marketing Problems*, p. 26.
[2] Cullen, *Coöperative Marketing*, p. 8.
[3] Harris, *Coöperation, the Hope of the Consumer*, pp. 12–13.

ing.[1] And for many years, the Royal Baking Powder Company expended $750,000 annually for advertisements.[1] The California Fruit Growers' Exchange spent about $500,000 for advertising in 1919.[2] In 1920, the Oregon Growers' Coöperative Association devoted $15,876.33 to advertising prunes.[3] This amount, however, was to be shared in by the Washington Growers' Packing Corporation.

Does advertising influence the purchaser in choosing goods and services? As additional proof that it does, an experiment carried out by the Chicago *Tribune* may be cited. This paper undertook the task of finding out why some 30,000 housekeepers bought certain food articles. Out of the 30,000, 36 per cent of the housekeepers made their purchases because of the influence of advertisements.

Advertising is so vitally important to-day that nearly every adult consumer should know the technique of it. The knowledge should be used not so much for the purpose of selling certain goods as for the object of keeping from buying certain articles. Only the ingenious consumer can side-step traps, so scientifically and psychologically concocted by experts, to get his money in exchange for commodities and services. Perhaps it takes more skill to save and spend money judiciously than it does to earn handsome incomes.

[1] Harris, *Coöperation, the Hope of the Consumer*, p. 52.
[2] Annual Report of the California Fruit Growers' Exchange, 1919.
[3] Taken from a letter written by the General Manager of the Oregon Growers' Coöperative Association.

What shall the consumer buy? "Auto" manufacturers say "automobiles"; meat packers say "pork"; citrus fruit growers say "oranges"; and gum manufacturers say "chewing gum." And they all say it or picture it so emphatically and temptingly that the consumer frequently seems to have no alternative. He buys.

The Technique of Advertising.—Advertising is being systematized to a nicety. It is practically a science. If one studies carefully the advertisements found in any of the popular magazines, one is struck with the different appeals made. About all the instincts of man are appealed to. These range from the coarse, vulgar instincts to the finer, cultural ones.

Every organ of man which is susceptible to attack from outside stimuli is studied by advertising specialists. Courses in advertising are conducted in colleges and universities. These studies are pursued by some of the "brainiest" young men and women. Later their knowledge is put into practice in selling commodities.

As to the make-up of advertisements, specialists recognize definite fundamental principles. First, they know that suggestion is at the bottom of advertising. They recognize that, by nature, thought is dynamic. They appreciate that every idea of action tends to produce such action; and that action will inevitably result, unless the mind is distracted from the idea. They further know that most people act on impulse rather than on reason—and of this knowledge they make the most.

The experts, therefore, propose, (1) to attract attention, (2) to awaken interest, (3) to create desire, and (4) to move the will to action. In doing this, nearly every sense is appealed to. To awaken interest, eyes are attracted by the beautiful and the horrible. Ears are appealed to by a buzzing saw or sweet music. Tongues are given a chance to register their delight by tasting agreeably flavored butter. Noses are given an opportunity to express their pleasure by smelling fresh flowers.

These organs are not merely considered theoretically, but their importance is actually weighed mathematically. For instance, butter is scored in percentages on the basis of its appealing power.

> Flavor, appealing to the gustatory nerves, has a weight of 45 points; the grain, body or texture, which is perceived by the nerves of the touch in the mouth, particularly those of the tongue, have a weight of 25 points; the salting, 10 points; the color of the butter, 15 points; and the style of the package, 5 points. The nerves of taste influence the choice of the purchaser to the extent of 55 per cent; to the nerves of touch in the mouth is granted an importance of 25 per cent; so the butter appeals to the mouth to the extent of 80 per cent of its attractions, the remaining 20 per cent being offers to the favor of the eye.[1]

To sell goods and services psychologically thus, nearly every characteristic is emphasized, and even magnified at times. Quality is played up to those upon whom quality makes the best impression. Quantity is held out as the great incentive to those who want full measure. Price is made

[1] Nourse, *Agricultural Economics*, p. 462.

seemingly low to those seeking bargains. And first class service is harped upon repeatedly to attract service seekers. For a good example of appeal to hunger, note the following advertisement of "Swift's Premium Ham" (Fig. XIII).

The mediums through which advertising is carried on are numerous and varied. They include newspapers, magazines, placards, free samples, fans, moving pictures, phonographs, demonstrations, circular letters, personal letters, prizes, cards, billboards, coupons, hand bills, electric lights, window displays, and innumerable others.

How to Utilize Advertisements to Advantage.—To some people advertisements are a curse. These people are unquestionably led to buy the wrong goods at the wrong time, at the wrong place, and at the wrong price. Ofter they should not buy at all; they should save their money to invest it for old age or disability. Perhaps the majority of aged people should not be blamed for not having independent funds on which to live at the age of sixty-five. They have not been taught to buy and save judiciously.

On the other hand, advertisements are a godsend to other people. Such mediums have given valuable information on which to base intelligent judgment. They have aided in adding possession utility. New products, new qualities, and varying prices have been called to the attention of many people by "ads." When this information has been properly utilized, it has undoubtedly been an aid rather than a hindrance in buying.

Probably the best attitude to take is to ap-

The thrifty way of buying Premium Ham

When bought separately, the center, or broiling, slices of Premium Ham command a higher price than the butt or shank, commonly preferred for baking or boiling. By buying a whole Premium Ham, you not only get the center slices for less, but get all cuts at a low average price.

This thrifty method of purchasing thus saves money and also provides a convenient reserve supply of meat.

The parchment Premium wrapper preserves the sweet juiciness, flavor and uniform goodness provided by the Premium process of selecting and curing hams.

If you prefer not to prepare the whole Premium Ham at once, the butcher can cut it for you: the butt end for baking, the shank for boiling, and four or five slices from the center to fry or broil without parboiling. Put in the original Premium wrapper the pieces you don't want to use immediately.

Swift & Company, U.S.A.

Swift's Premium Ham

It is not necessary to parboil Swift's Premium Hams before broiling or frying
Look for this "no parboiling" tag when you buy a whole ham or when you buy a slice

(Courtesy *The American Magazine* and Swift and Company.)

FIGURE XIII.

preciate that advertisements are here to stay. While they frequently magnify the truth, and at times are even wholly false, yet no stronger group of men is endeavoring to eliminate false advertising than the advertising experts themselves. Much has been done by the advertising associations and good newspapers to eradicate the evils of advertising. State laws have also been passed to purify advertising. However, since advertisements magnify and unduly persuade at times, these features should be recognized.

Instead of taking every word for granted in an advertisement, let the purchaser beware; take it as it were, with a grain of salt. A purchaser should utilize information, but not be easily persuaded into buying. This can be done, if the prospective buyer will counter advertisements with critical questions. Questions as to comparative values, like qualities, quantities, uses of money, both present and future, can be asked to good advantage. Distraction of attention is the thing to aim at. An orange advertisement can be compared with an advertisement on prunes.[1] By so doing one "ad" will partially neutralize the other.

[1] It is just possible that the big advertising campaigns will more and more neutralize the effects of one another, because there is a limit to the amount of products that can be consumed. For example, we can't eat all fruit, even if fruit people do think we can. Neither can we eat all meat or any other product. Hence, in the long run, if too many pears are eaten then the consumption of other fruits will be neglected; and if too much meat is consumed, then the consumption of meat substitutes will be partly curtailed. One big pear-advertising campaign, for example, will partly offset the effects of a big orange-advertising campaign. In this way, the consumer will be partly protected from overadvertising.

Another way by which to counteract advertisements is to imagine how some unadvertised good would look if advertised like the one about which the buyer is reading or hearing. Still another method is to pride oneself in purchasing goods and services only after careful consideration relative to advantages and disadvantages. A critical attitude, coupled with a firm determination to look facts in the face and buy on mature judgment rather than on impulse, is the best way to utilize advertisements to advantage.

Effects of Salesmen.—Like advertising, salesmen have a strong influence on the purchaser. Again, referring to the investigation made by the Chicago *Tribune* as to why 30,000 housekeepers purchased certain food products, that periodical found that 55 per cent were influenced in purchasing by retailers; and that 6 per cent were influenced by friends.[1] Adding these percentages: 36 (advertising) plus 55 (retailers) plus 6 (friends) = 97 per cent of the 30,000 housewives who bought food products largely through the influence of others. The remaining 3 per cent evidently purchased on the basis of their own reason. From these figures it is readily seen that salesmen are mightily significant in closing deals. What are some of their methods?

Salesmen employ effectively such words as "merely" and "only." "The book is only $2. If you were to save merely 10 cents a day, you could pay for this book in 20 days, because it is only a matter of $2."

[1] Harris, *Coöperation, the Hope of the Consumer*, pp. 11, 20.

Clerks also employ suggestions effectively.

In retail salesmanship, where no order has to be signed, the tactful salesman, having presented the merits of his goods through a brief first selling talk, possibly one involving one, two or three points, can generally clinch the purchase by indirect suggestion something like this: "Shall we send this out, Mrs. Blank, or will you take it with you."[1]

Another method employed by a shoe clerk is as follows:

As a shoe salesman in a store, when a customer was deciding between a $3.50 and $4 shoe, I would pick up the $4 pair and say, "Shall I wrap them up in paper or put them in a box?" This ended the sale every time I tried it.[1]

This testimony is pretty strong, and seems to be contrary to Lincoln's statement "that you can't fool all the people all the time." Hence the author gives this testimony for merely what it is worth.

Still other methods common to most clerks are: "What next?" "We just have some new collars in." "We are out of that kind of soap, but we have 'palmolive.'"

Some clerks, moreover, will flatter, ridicule, or do practically anything else to drive a sale. The customer must always be wide-awake. Other clerks—and the number is increasing—will try their best to give the purchaser the right goods. They will even advise him to buy at another store at times. They are the clerks one should endeavor to deal with.

Effects of Friends.—Friends, too, in different ways influence purchases. In the first place, if a

[1] *Idem*, pp. 11, 20.

new stock of goods that seems to be of high quality and good price arrives at a store, an early purchaser will frequently tell all his friends about these goods. These friends in turn buy similar articles from the same store. In the second place, a friend will frequently accompany the purchaser on a shopping tour. In such event, the friend often exerts strong influence on the purchaser to buy certain commodities. In the third place, friends, or at least so-called friends, have been known to influence the purchaser into buying goods for the purpose of a tip on the side. The merchant, of course, giving the tip. In most cases, however, the advice and criticism of friends are at once helpful and profitable. True friends are not Benedict Arnolds.

Questions and Exercises

1. Criticize: "Sure, I know my pictures are cheap and vulgar," said a movie manager, "but it's not my fault, the public demands them."

2. Would consumers save more money if bankers advertised the value of a saving account as extensively as Swift and Company advertises ham?

3. Study the advertisements in a popular magazine and make a note of:

   a. The instincts to which appeal is made.
   b. The qualities of goods emphasized.
   c. The colors used in the make-ups.
   d. The advertisement you think makes the strongest appeal, and why.

4. Will the effects of advertising campaigns eventually neutralize one another to the extent that no laws will be needed to regulate advertisements for the benefit of consumers?

5. Outline the most recent law which regulates advertisements in your state.

6. Enumerate the advantages of advertising which accrue to the consumer.

7. Find out the methods used by three city or town clerks in selling goods. Method: Go to the stores with a view of making clerks exhaust every resource in trying to sell articles to you. (This can be done successfully, if you refuse to buy on the occasion when you are experimenting.)

8. Give an example when a friend influenced you to buy something.

9. Do friends generally have more influence on a young man than on an old man making choices?

CHAPTER VIII

ODD PRICES AND BARGAINS IN RETAIL TRADE [1]

(Robert C. Brooks)

[The author of the paper bearing this title, in making a statistical study of a semiannual bargain-sale price list, finds that about 32 per cent of all prices quoted end in the figure 9; 16 per cent in the figure 5; 13 per cent in the figure 3; and 12 per cent in the figure 8. Studying the figures in detail he suggests various interesting reasons for the preference shown in the price list. We quote from the last third of the paper, by Robert C. Brooks, professor of Political Science in Swarthmore College; University Studies, published by the University of Cincinnati, March–April, 1908, pp. 20–28, here abbreviated and edited with the author's approval.]

Are Odd Prices Cheap Prices?—The whole purpose of odd prices, as we have seen, is to suggest by means of carefully selected figures the idea of price reduction. How far may this suggestion be depended upon? In attempting to answer this question we should note first that odd prices are only part of a general plan to the same end. Readers of advertisements are familiar with the fact that in addition to quoting goods at 19, 49, 98 cents, and so on, the advertiser frequently seeks

[1] This chapter was taken from Fetter's *Source Book in Economics* with the consent of the author, Professor Fetter, and the Century Company.

to convey the impression that reductions much greater than one or two cents have been made. The prospective buyer may take all such statements *cum grano salis,* and depend chiefly on the small, but apparently visible, reductions indicated by the odd prices themselves. Nevertheless the bargain-hunter is abroad in the land, and even the most astounding of the announcements regarding "sacrifices," "slaughtered prices," and so on must find some credence.

Now, there is nothing intrinsically improbable in any of the above statements taken separately. There are bargains and bargains as every experienced shopper knows. Many contingencies constantly occur in retail trade which enable or compel merchants to offer goods at prices below the ordinary rates. Demand fluctuates widely; in almost every line of business there are dull seasons and dull days during which retailers think it wise to offer inducements in order to stimulate a sluggish buying public. Every merchant, large and small, has to dispose from time to time of "stickers"—old stock of slow moving goods. Particularly when changes of fashion occur or improvements are coming in rapidly is this bound to be the case. Manufacturers and jobbers sometimes misjudge the market and find themselves with large stocks on hand near the end of the season, or they may lose their heads even when there is no danger and let go at a reduction. In such cases retailers, particularly large retailers, are in a position to secure the goods on terms which enable them in their turn to sell at what are really very

low rates. The purchase of bankrupt stocks, or of the stocks of concerns that are going out of business, also offers opportunities. Other contingencies are constantly occurring among the hundreds of manufacturers, jobbers, and retailers. Of course, in many such cases the fact that goods are offered at reduced prices may indicate that they are either damaged, out of style, or undesirable in color or in some other way. This leaves open the question as to whether the reduced prices are really low, qualities being taken into consideration. There can be no doubt, however, that opportunities are often offered to purchasers to buy at what are really very favorable rates. For example, what has become a "sticker" to a merchant may satisfy a very fresh and keen desire on the part of a customer. Reductions made because of a change of fashion may mean a great deal to purchasers who care little for style. Even standard goods, as, for instance, silks a few years ago, may be turned out in large quantities just before a sudden falling-off in demand. At such times consumers may justly consider themselves fortunate in having an opportunity to stock up while prices are low. Then, too, it sometimes happens that a certain line is sold at a reduction to serve the purpose of the bargain counter, that is, to bring a crowd which will be tempted to buy other things. The particular goods that, so to speak, serve as bait may be very attractive considered separately. Finally, it should be said that successful merchants are neither fools, nor do they take their customers to be fools. They real-

ize that understatement is more effective in the long run than overstatement, that it does not pay to play up small opportunities as great features, and that it does pay, most emphatically, to mean bargain when you say bargain. To be sure there are "lambs" among retail purchasers, just as there are in Wall Street, with this difference, however, that in retail trade the lambs do not go "broke." In the very nature of the case they must continue buying. And unintelligent as many buyers doubtless are, they do not always return to the places where they have been shorn.

In a word, there certainly are bargains—for those who are able to perceive them—and not infrequently at that. On the other hand, there is a considerable element of deception in many offerings under this seductive heading. Even allowing fully for the various contingencies noted in the foregoing paragraph, it still remains highly improbable that all the vast array of startling reductions advertised every day can be bona fide. Sometimes they measure the credulity of customers or of certain classes of customers rather than the operations of a "horizontal discount knife." The writer has been told of cases where goods have been deliberately cut into "remnants" or handkerchiefs "mussed" by being drawn through the hands. Thrown out carelessly on the counter such "attractions" prove irresistible to a certain class of buyers who snatch them up without examination as to quality or price, convinced from the apparent condition of the goods that they have hit upon famous bargains. Experienced

shoppers can usually tell of at least a few cases that have come to their notice where certain goods have been boosted fifty cents or a dollar in price at special sales, the dealer doubtless presuming on the ignorance of customers and the blasts of his advertisement writer to carry off the articles. Success in comparatively few instances of this sort would make up many small reductions of a cent or two to the odd price basis. In fairness it should be said, however, that the best merchants regard such practices as bad morally, or at least injudicious. Where the thing is done surreptitiously occasional discoveries are certain to occur, and the store is bound to suffer losses out of all proportion to the gains derived from the foolish trick. Sometimes, however, the practice is openly employed, as in the case of bargain sales held on dull days or in the mornings. In such cases every one is given to understand that prices will be lower at the time and higher later, and no moral blame at least can be attached to the merchant for so acting. Nevertheless, this knowledge does not soothe the ruffled temper of the purchaser who is forced to pay twenty-five cents for a thing his neighbor may have gotten for nineteen cents. Realizing this fact, merchants generally follow the "one-price policy" of holding goods at a given figure for some time. If reduction then become necessary goods are held at the lower figure until closed out, or further reductions without intervening advances are made until this end is attained.

There is plenty of available evidence that some

"great reductions" heralded in advertisements are really great exaggerations of very small reductions. Instances of this sort are given by the *Dry Goods Economist* of March 19, 1904. Frequently one notices the beginning of better things or at least of greater caution in the avoidance of direct affirmations that former prices were so and so, and the substitution therefore of statements to the effect that "values" or "qualities" would justify higher prices than the ones asked. Sometimes reformation takes the dubious path of sweeping announcements that competitors cannot meet the prices fixed by the advertisers. Investigation of such statements requires more time than most purchasers can afford to give, but in all retail markets of any considerable size they are simply not warranted by facts. Every wide-awake merchant constantly has opportunities along certain lines—so much may be admitted—but no merchant has an absolute monopoly of such opportunities. The unceasing vigilance with which retail traders watch each other is scarcely known to the general public. In every large establishment there is a "Comparison Department," specifically charged with this function. "Spotters" are constantly being sent out by the head of this department to observe the doings of competitors, and daily reports of their findings are made. If a rival store offers a great bargain, samples are bought, carefully examined, even torn to pieces, if necessary, to ascertain qualities, and a corresponding or greater reduction made if thought advisable. Under the circumstances, the adver-

tisements of merchants who claim everything all the time are more ludicrous than anything else.

Standards of Retail Business.—While there is doubtless much to condemn in some of the practices cited in the foregoing pages, it would be highly unjust to charge all retailers with deliberate and habitual misrepresentation. Many of the greatest successes, one can say practically all the permanent successes, of the mercantile world, have been made by firms which have conscientiously avoided deception. It would be easy to mention cases of this sort in New York, Chicago, Philadelphia, and other of our large cities, but they are familiar enough without mention. Even where retail practice is not so scrupulous, deliberate and habitual misrepresentation cannot always be charged. The truth is that many merchants of this, as well as of a higher, type use such terms as qualities, values, prices, etc., very loosely, and more in accordance with the customs of the market in which they happen to be doing business than with the definitions of economics or the canons of ethics. Not infrequently the community, or a certain class of buyers in the community, is to blame in a large part for the abuses which spring up in retailing. On this point the writer finds it impossible to agree entirely with a very clever authority on merchandising who maintains that "the retailer is the king of business. It's not the consumer—arguments to the contrary notwithstanding. It's upon the education given the consumer by the dealer that the formation of taste depends." Granting that the influence of

the retailer is great, it still remains true that his patrons are, presumably at least, fairly intelligent grown-up persons who exercise ordinary prudence in business matters. The retailer is more active, of course, in designing and applying various plans to attract trade; but precisely the same motive as his own, namely, self-interest rightly or wrongly conceived, dictates the actions of his customers in giving or withholding patronage. The latter may be careless, ignorant, or under the spell of that delusive cupidity which is always seeking something for nothing, and these conditions may permit or encourage merchants to employ tricky devices. Even so, purchasers can hardly be exonerated from all blame for the resulting demoralized condition of the retail market. In illustration of the foregoing may be cited numerous cases of towns and cities where several competitive "selling campaigns" have been carried so far that in the end it became almost impossible to dispose of anything except with the aid of such devices as trading stamps or as bargains on one pretext or another—where the people "have been so deafened with the siren song of 'bargains,'" as one trade journal puts it, "that they don't know one when they see it." Manifestly such conditions reflect not only the character of the mercantile element, but also the character of the public as retail buyers—a conclusion which need not be blinked at because phenomena of this sort are so exceedingly common. The following advice given to a merchant who complained of trade conditions demoralized in this

manner is particularly noteworthy because of its frank implication that retail trade as at present conducted is not simply a price competition.

> . . . The wise merchant, when he sees the wave of price-cutting sweeping over his community, will dodge the competition as far as he is able. He will do all he can to impress his community that there is something more than price to be considered. He will not do this by direct statements to that effect; that goes without saying. But he will try to get a reputation for his store on something *besides* price, always being smart enough to create a reputation for selling as low as his competitors. He will sell staples extremely low, but on novelties he'll make enough profit to offset the loss. And he will get the people coming to him for these novelties. He'll talk style and fashion in his ads, and over the counter; he'll show the new and fashionable things and he will have them before the other fellow gets them in stock.[1]

Further advice along the same lines is given, but enough has been quoted to make clear the conditions which compel merchants either to cut prices extensively or to resort to other means of meeting a cut-price competition.

A Retail Buying Policy.—With such complex and often deceptive conditions existing in retail trade it is a matter of considerable difficulty to formulate a policy for buyers to pursue. Certain general rules seem fairly clear, however. It is an old maxim that nothing is a bargain which is not needed. Unfortunately purchasers often forget this: with many people buying is a passion rather than the cold calculation of the economic man. One qualification of the maxim quoted above is of some importance, however. There are

[1] *Dry Goods Economist*, March 18, 1916, p. 15.

many regularly recurring wants which the ordinary purchaser satisfies as they reach their maximum intensity, that is, usually, in the very thick of the season. As a consequence, he pays the highest retail price for his goods. A careful study of the cycle of special sales of various sorts (for they run in a fairly regular cycle through the year) will often enable him to effect considerable savings, by taking advantage of low prices during dull seasons. Another general rule for the bargain seeker is that he should consider the cost in effort as well as the money-cost of the things he buys. In spite of all the devices to facilitate the examination of goods and their delivery, shopping remains an arduous occupation. Notoriously it is often carried too far. Mrs. John Lane tells the story in a recent number of an English review of a "woman of massive intelligence" who saved seven pence by going to a distant suburb for Brussels sprouts. As a consequence, she became so exhausted that it took several days and the services of a fashionable physician to restore her. Perhaps it is because of the frequent neglect of two such obvious principles as the foregoing—namely, not to buy what you don't need and not to go to too much trouble in your buying—that skepticism with regards to the existence of any such things as bargains in retail trade is so common. Often, indeed, it is the most indefatigable shopper who is most skeptical on this point, which, however, merely goes to show that oversanguine expectations lead easily to irrational disappointments.

But there are also certain positive rules with regard to buying which may serve as supplement to the preceding "don'ts." Where the sum involved is sufficiently large or where an article is likely to be in constant demand a careful examination of the stocks of various retailers is usually worth while, whether or not any bargains are being advertised at the time. It is always of importance to ascertain and take into consideration the general reputation for honesty and fairness of the merchant with whom you are dealing. Fortunately information of this sort is much more easily obtained than that exhaustive knowledge of goods and values which one would require in order to be fortified against deception and overcharge. In this connection the purchaser would do well to remember the principle known as "the reaction of consumption upon production." [1]

Every purchase of goods under given conditions is a vote, accompanied by material support, to continue those conditions. The application of a little conscience in such matters would discourage tremendously many of the shady practices prevailing in retail trade.

With regard to bargains masquerading in the guise of odd prices, a rather greater degree of caution would seem advisable. Odd prices are doubtless clever enough with a rather meretricious sort of cleverness, but this will hardly commend them to careful buyers. If certain figures are intrinsically so attractive one wonders whether the merchants who put their trust in such figures do not

[1] See Fetter's *Principles of Economics*, Chap. 41.

neglect other and more solid advantages which they might offer their customers. Reductions of a cent or two on some few articles, the regular prices of which are definitely known, may be bona fide, but with regard to the values of a great majority of things offered for sale under an odd-price scheme the ordinary purchaser is not competent to judge, and consequently is likely to be deceived. There are many reasons, as we have seen, why goods frequently have to be reduced in price in retail trade, but there is no reason at all in believing that an excessively large number of these reductions should follow in such series as 98, 79, 69, 49, and so on. Nor can one attach much weight to the argument that odd prices attract so much additional custom that they enable the merchant employing them to purchase in so much larger quantities and to so much better advantage that he can afford to make frequent bona fide reductions of a cent or two. Retail competition is far too complex; it involves, as we have already had occasion to observe, so many factors besides price alone that the effect of the one rather doubtful factor of odd prices, assuming other conditions equal, would count for comparatively little. And other conditions would seldom be equal. Moreover, the sort of custom attracted by odd prices and similar devices is apt to be much more fickle than that which is built up by conservative and less sensational business practices. There is always one advantage to the purchaser in looking over goods marked at round price points, namely, that he can consider alternate utilities of the va-

rious articles of about the same value he may need, undisturbed by the differences of a cent or two in cost.

On the other hand, if merchants string their prices up and down the scale in order to take advantage of popular figures, purchasers too often succeed in "saving" two cents on a 98-cent article they do not need at the cost of the far greater utility of a dollar article they really do need. In the long run, such results are good neither for sellers nor buyers. To quote proverbs which notoriously can always be made to contradict each other: those who "take care of the pennies" in the hope that "the dollars will take care of themselves" should remember also that there is such a thing as a "penny wise, pound foolish" policy. Retail trade may need reforming in many particulars, but such reform can only come *pari passu* with the reform of retail buyers. Education for giving future mothers and fathers a knowledge of articles of common use, their qualities, price, proper employment, markets wherein they are sold, and so on, is sadly needed. Until the public attains this knowledge and this point of view, odd prices and even more objectional practices will continue to flourish.

Questions and Exercises

1. What is the main purpose of odd numbers in a bargain sale?
2. Is it good policy to buy goods merely because they are cheap?
3. Outline the various causes leading merchants to cut prices.
4. Draw up a sane, effective buying program for consumers in general.

CHAPTER IX

EFFECTS OF HABITS AND FASHIONS

Habits.—Habits, too, influence consumers in making expenditures. Women, no less than men, have acquired rather fixed habits which cost them considerable money. Some of this money is expended to gratify good habits and some to satisfy bad ones. It is the latter type that will be discussed here.

The women of the United States spent $750,000,000 for rouge, lipsticks, powder, and perfume during 1919, according to the luxury-tax returns.[1] While the American "beauty bill" was accruing in 1919, the American tobacco bill was growing. The men burned up $1,310,000,000 in cigars and cigarettes, and chewed and otherwise used up $800,000,000 of chewing tobacco and snuff. And as for prohibition, its advent boosted America's soft-drink bill to $350,000,000 in the same year.[1] Finally, chewing gum cost the Americans $50,000,000 in 1919.[1]

The habits individuals form surely direct expenditures; sometimes wisely, at other times unwisely, but always effectually. It is prudent, therefore, for each individual to inquire into the

[1] *Oregon Sunday Journal,* October 17, 1920.

ultimate expense of a habit before it is formed. By so doing, life may be lengthened, enriched, and vitalized.

From habits, we shall now pass to a discussion of fashions.

Fashions.—Professor E. A. Ross defines fashion as a "series of recurring changes in the choices of a group of people which, though they may be accompanied by utility, are not determined by it."[1] It is said, moreover, that fashion springs from the possession of self-individualization, eagerness to be distinguished from one's fellows.

That fashion is primarily a director of expenditures is shown by many facts. It touches practically every class of society. Rich women wear four hats a year, and poor women wear four imitations. Rich men annually buy two or more expensive suits of clothes and poor men purchase about as many "make-believes."

Fashion, moreover, extends to practically everything. It touches one's life throughout from the cradle to the grave. In truth, it is not absent in the cradle or the grave. One walks in fashionable shoes; sees through fashionable glasses; and sleeps in fashionable beds. In a word, fashion sets the pace, and nearly all follow.

One of the unfortunate features about fashion is that it changes too frequently, and, at times, unwisely. Clothes must be cast aside before they are worn out. Hair dressing must be changed before habit mechanically simplifies the process.

[1] Ross, *Social Psychology*, p. 94.

Feet must be pinched and flattened before they are naturally molded. Collars raise and lower the head too suddenly. Rings prevent fingers from gracefully bending. Novelty is advanced too often at the expense of cost and fitness.

What is more, as civilization advances, on the one hand, there is a tendency for fashions to become less stable. Quite right, for as textiles cheapen through the less expensive industrial process, the power of the inferior to imitate is strengthened. Quite so, because the technique of imitation is being improved so that the most elaborate costumes may be made at one half or less the original cost. True, because the mediums disseminating information on fashion changes are being at once improved and increased. Trade and fashion journals cry out in unmistaken language the new models. Clerks give these publications away free of charge—even hang them out on the doorknob so that women cannot resist taking them. And, finally, the daily newspapers are filled with the glad tidings—new fashions.

On the other hand, there is the tendency to stabilize fashions. "People of independent judgment, good taste and appreciation of health and comfort are increasing." The plane of intelligence is rising. Inner worth is being prized more highly than outward appearance. Then, too, the number of people who follow fashion only to the extent of keeping themselves inconspicuous is increasing. When the majority of people adopt these ideals so clearly given by the master mind, Ross, then truly mankind will no longer be the slave of fashion.

For the poor and for the medium well-to-do, would that the day were here!

Questions and Exercises

1. Make a list of American habits generally accepted as respectable, but which are nevertheless pernicious.
2. Draw up a practical program to eliminate detrimental habits.
3. Comment on the following quotation.

> "The high gloss of a gentleman's hat or of a patent-leather shoe has no more of intrinsic beauty than a similarly high gloss on a threadbare sleeve, and yet there is no question but that all well-bred people (in the Occidental civilized communities) instinctively and unaffectedly cleave to the one as a phenomenon of great beauty and eschew the other as offensive to every sense to which it can appeal."—Ross, *Social Psychology,* p. 95.

4. Why are savages so fond of bright colors, red feathers, for instance?
5. Is the following statement true?

> "It is the greatest pride of the clerk to wear the same shirts as the capitalists, of a servant girl to put on the same jacket as my lady, of Mrs. Butcher to own the same plush furniture as Mrs. Privy Councillor."—Ross, *Social Psychology,* p. 104.

6. Look through a fashion journal and make note as to whether or not all the fashions tend to the extreme.
7. Do women dress fashionably to please men?
8. Do fashions refine the taste? If so, why? If not, why?
9. Have Colonial dresses been in style since Colonial days?
10. Do fashions reappear frequently enough to make for utility in wearing?
11. Should all women wear the same kind of dress; and all men wear the same sort of suit? If so, why? If not, why?
12. Does it do any good to preach against the extravagance of fashion?

CHAPTER X

EFFECTS OF CONSUMPTIVE STATUTES

Laws proposed to regulate consumption have been enacted for various reasons. In olden times, the higher classes of society sought to prevent the lower classes from imitating them, by passing sumptuary laws which largely prescribed what the lower classes could not consume. When nations have been engaged in deadly warfare, laws have been enacted limiting the consumption of certain articles in order that the war might be carried on more effectively. At other times, laws, interfering with normal consumption, have been imposed upon a people to prohibit the consumption of certain commodities. These prohibitory laws aim at social and moral welfare.

Sumptuary Laws.—As early as 1294, the nobility and clergymen of France attempted to hedge in the common people by sumptuary laws. A few ordinances then and later imposed are here given as examples.

1. "We decree," says an ordinance of 1294 (in France) "that every manner of people who have not an income of six thousand Tournish livres shall not use, and will not be able to use, any gold and silver plate for drinking, for eating, or for any other use, and that no person,

under penalty of fine and imprisonment, shall practice any fraud about it: and from the above mentioned silver, we decree that our coin be made for the common profit of our kingdom." [1]

2. Another provision states that "no bourgeois woman shall have a chariot." [1]
3. A provision, again, excluding the bourgeoisie from the class of the so-called élite runs thus: "No bourgeois, man or woman, shall wear green or gray, or ermine, and they shall dispose of those they have, by a year from Easter next. They shall not wear, nor will they be able to wear, gold, precious stones, or coronets of gold or silver." [1]
4. Still other provisions setting forth the "metes and bounds" for dukes, counts, barons, knights, and prelates run:
   a. "The dukes, counts, and barons of six thousand livres in land or more, may have four robes a year and no more, and the women as many." [1]
   b. "A knight who has three thousand livres in land may have three robes a year and no more; and one of these three robes will be for summer." [1]
   c. "It is ordained that no prelate or baron shall have a robe for his body of more than twenty-five Tournish sous a Paris ell." [1]
5. Like the last quoted provision, here is another that has a sort of religious tinge: "No one shall have at the principal meal but two viands and a pork soup, and let him not deceive about it, and if it is fasting season, he shall only have two herring soups and two dishes." [1]

Another nation that prescribed what may or may not be consumed by different classes was old Japan. To illustrate:

A farmer with a property assessed at twenty koku (of rice) was not allowed to build a house more than thirty-six feet long,

[1] Blanqui, *History of Political Economy*, p. 175.

or to use in building it such superior qualities of wood as Keyaki or hinoki. The roof of his house was to be made of bamboo thatch or straw; and he was strictly forbidden the comfort of floor mats. On the occasion of the wedding of his daughter he was forbidden to have fish or any roasted food served at the wedding feast. The women of his family were not allowed to wear leather sandals; they might wear only straw sandals or wooden clogs, and the thongs of the sandals or the clogs were to be made of cotton. Women were further forbidden to wear hair bindings of silk, or hair ornaments of tortoise-shells, but they might wear wooden combs and combs of bone—not ivory. The men were forbidden to wear stockings, and their sandals were to be made of bamboo. They were also forbidden to use sunshades or paper umbrellas.[1]

War Regulations.—During the late World War there was a body of regulations that grew up in the United States for the purpose of directing and limiting consumption. First, an attempt was made to impress people with the need of conservation. This was done through bulletin boards, electric signs, indoor advertising displayed in railroad and street cars, space in periodicals, newspapers, and other mediums, volunteer speakers, housewife pledges, etc.[2] These efforts were effective, but not effective enough. As a consequence, compulsory regulations were passed.

In January, 1918, flour mills were requested to raise their percentage of extraction to 74 per cent and to eliminate altogether the sale of patent flour.[3] This regulation produced a saving of ap-

[1] Ross, *Social Psychology*, pp. 101–102.
[2] Annual Report of the United States Food Administration, 1918, p. 8.
[3] *Ibidem*, pp. 9–10.

proximately 2,935,721 barrels of flour.[1] Later, namely, on February 3, 1918, a provision was passed compelling bakers to use 5 per cent of substitute flour in the bread they made. This substitute amount was increased later to 20 per cent, and 25 per cent respectively. These restrictions resulted in a saving of about 3,825,000 barrels of flour.[1] About February 1, 1918, all dealers and millers, selling wheat flour to individual consumers, were required to sell one pound of wheat flour substitutes with every pound of wheat flour.[1] These substitutes included cornmeal, corn grits, oatmeal, and rice. The saving thus effected amounted to about 25 per cent of the wheat flour formerly used.[1] In April of the same year, hotels were compelled to serve not more than two ounces of Victory bread to one person at a meal.[2]

A special campaign for the conservation of corn, oats, rye, and barley was also launched. Congress prohibited distilling after September 10, 1917. This act effected a saving of about 40,000,000 bushels of corn, barley, and rye in 1918.[2]

Sugar, too, was included in the conservation scheme. On May 15, 1918, the sales of sugar to manufacturers of less essential foodstuffs were limited from January 1, to July 1, to 80 per cent of the sugar used in the same period in 1917.[3] On July 1, the same restrictions were extended to all buyers of sugar except household consumers. These regulations together with the voluntary re-

[1] Annual Report of the U. S. Food Administration, 1918, pp. 9–10.
[2] *Ibidem*, p. 11.
[3] *Ibidem*, p. 12.

strictions of household consumption produced a saving of between 400,000 and 600,000 tons of sugar during the calendar year.[1] Hotels, restaurants, dining cars, and clubs also saved approximately 50,000 tons of sugar between October, 1917, and August 1, 1918.[2]

Fats were also conserved through regulations.[2] The War Trade Board limited the exports of fats to neutrals. Each importing country was limited to the minimum requirements. Some compulsory rules were adopted to prevent waste of fats. Cottonseed crushers and refiners were compelled to extract the maximum amount of edible oil. Bakeries were required to use no more than two pounds of vegetable shortening to one barrel of flour. The use of lard in bread was entirely forbidden. Garbage also was utilized.[3] During the year 1918, forty cities, comprising a population of 2,217,200, "changed from a nonutilization method of garbage disposal to a hog-feeding method of disposal." These nonutilization changes meant an increase of pork production of about 20,000,000 pounds during the year.

Voluntary and compulsory attempts were likewise made to conserve perishables. An example of the compulsory regulations is that regarding the shipment of live hens. On February 11, 1918, an order was issued "prohibiting transactions in, and shipments of, live hens and pullets, between February 11, 1918, and April 30, 1918."[2] The

[1] Report of the U. S. Food Administration, 1918, p. 12.
[2] *Ibidem*, p. 13.
[3] *Ibidem*, p. 15.

purpose of this measure was to keep a large proportion of laying hens on the farm for egg production. The result of the order is partly reflected by the fact that on June 1, there was 11.1 per cent more eggs in storage than on the same date in 1917.

The National Prohibition Act.—During the World War, occasion arose in the United States to prohibit the general use of intoxicating liquors through the passage of the National Prohibition Act. Intoxicating liquors mean, in this law, "beer, wine, or other intoxicating malt and other vinous liquors which contain one half of one per cent of alcohol by volume." The law also provides for a relatively heavy penalty in case of violation. A violator is subject to a fine, ranging from $100 to $1000 and to imprisonment from 30 days to one year, or both. The enactment, which is now a permanent part of our statutes through Constitutional amendment, virtually prohibits the use of liquors, excepting, of course, for medical and sacramental purposes.

Other Modern Restrictions on Consumption.—For some time many peoples of the civilized world have been trying to prohibit the use and consumption of certain articles. Among these commodities are opium, indecent or obscene prints, paintings, photographs, books, cards, lithographs or other engravings. The United States has laws which tend to prohibit internal trade in such commodities as well as laws which tend to prohibit the importation of such goods. It goes without saying, that the purpose of these laws is to pro-

mote the moral and social welfare of individual citizens.

Still another class of restrictions deals with the character of goods that are used or consumed. Moving pictures and bathing clothes fall into this class of goods. Movies have been censured for some time; but bathing suits are just coming in for world-wide criticism. At present (June, 1922) there is a great "hubbub" about bathing clothes.[1] "In Havana and Honolulu, from Coney Island to Coronado, at every bathing beach and lake and pool in this country and Europe, the girls and the guardians of the public welfare are fussing about what is proper and what is not, in the water."

In America the controversy has largely resolved itself into a debate upon the relative merits of the one-piece and two-piece suits. Most of the ordinances that have been passed in American cities tend toward prohibiting the one-piece suit. One set of rules adopted by a middle-western city follows:

> The one-piece bathing suit, which women are not allowed to wear, shall be construed as a suit without any skirt or other appendage to distinguish it from the so-called Annette Kellerman tights. A bathing skirt, even if sewn to the rest of the garment, shall be construed as a two-piece suit.

Bathing "rebels" and fashion designers, however, have attempted to evade the moral issue by evolving "two-piece suits which fill the letter of the law, and yet have all the freedom and style

[1] For fuller treatment see the *Oregon Sunday Journal*, June 18, 1922.

of the one-piece article." But these so-called "outlaws" are having difficulty in their attempts at law-evasion, just as some motion-picture manufacturers are having difficulty in their attempts to throw improper pictures on the screen. Public sentiment favoring good morals seems, fortunately, to be growing stronger, as time comes and goes.

Alleged Arguments against the Limitations of Consumption.—Some people maintain that a man has a natural right to consume what and how he pleases. They accordingly assert that any legal limitation whatever upon consumption is a violation of man's natural, inherent, sacred rights.

Another argument against the restriction of consumption pertains to taxation. Using liquor as an example, the contention runs thus: If the general use of liquors is prohibited, one of the best sources of taxation is eliminated. A heavy tax can be placed on liquors, and the consumers pay it without noticing it. Its being an indirect tax, and being, therefore, easily collected, it should consequently be retained. "But how can the tax be retained when the product on which it is levied is nonexistent?"

A third contention relates to prosperity. Again taking liquor as the example, it is said that the consumption of liquors makes for prosperity. Farmers, manufacturers, and laborers make millions of dollars out of the liquor traffic. In the course of one year "grain and other farm products to the value of $113,513,971 were used in the manufac-

ture of liquors''[1] in the United States. Abolish this traffic and you abolish prosperity.

A fourth argument hinges on the making of character. It is said that the best way to develop character is to teach people to resist temptation rather than to take temptation away from them. If people are exposed, therefore, to all kinds of temptation, they at least have the opportunity to become strong citizens.

Finally, the contention of some is that unrestricted consumption is an effective means to eliminate weaklings in society. ''The shortest way to make this world a heaven is to let those so inclined hurry hellward at their own pace.'' Surely liquor and opium hurry the weaklings onward!

Alleged Arguments for Restrictions on Consumption.—In the first place, it is contended that man has no natural, inherent, sacred rights. Society lives and lets live according to its own will. Being a creature subject to society then, man has no natural rights to be impaired. Hence society may regulate man's consumption as it sees fit.

In answer to the second argument made on taxation, it is asserted that, while a tax levied on liquor is easily collected, it nevertheless violates one of the canons of taxation; namely, it does not tax ability. If a poor man consumes the same quantity and quality of beer that a rich man consumes, he pays the same tax that the rich man pays. Clearly, this tax is not based on ability to pay. It should be so based in order to make for justice.

[1] Nourse, *Agricultural Economics*, p. 98.

As to the prosperity argument, it is extremely doubtful whether the liquor traffic makes for permanent prosperity. While it may temporarily benefit certain farmers, manufacturers, and laborers who are directly engaged in the business, it may injure even more people who are the victims of the traffic. Even these persons whom it may apparently aid in a material way may be as well off or better off in the long run if they were engaged in other industries. And where the United States is so varied in resources, it is quite possible to divert land, labor, and capital into legitimate fields to advantage. While there is a sacrifice in changing, the change is nevertheless wholesome. Truly, sober men are more efficient than drunken men!

In respect to character, it may be said with truth that man does not need to be exposed to all kinds of temptation to grow mentally and physically—to develop character. Service is one of the keys to strong character. And by rendering service—daily service—one develops more genuine character in a week than one could if one merely resisted temptations for ten thousand years.

That unrestricted consumption weeds out the weaklings in society is partly true. Perhaps, it is really best to let "those so inclined hurry hellward at their own pace"; but fortify the young so they will not be so inclined. This can be done in many instances by limiting or by prohibiting the use or the consumption of certain goods. It is the oncoming generation, rather than those that are

hopelessly lost in the old generation, whom such restrictions will benefit most.

In conclusion it may be said that nations certainly have, and take, the right to regulate consumption. In some cases, modern restrictions are for the purpose of self-protection as in times of war; in other cases, restrictions are for the purpose of moral and social welfare. Either purpose is justified when the results are beneficial. Usually, the results are beneficial in war because of natural patriotism. But in times of peace, when patriotism is not so strong, a reasonable majority of people is necessary to enforce an ordinance regulating consumption. In restricting consumption in peace times, therefore, the probability of successfully enforcing an act is no less important than the passage of the act.

The readers' attention will now be turned to adulteration and misbrands in their relation to individual expenditures and consumption.

Questions and Exercises

1. Should personal expenditures for consumption goods be gauged according to income? Why?
2. Would it be feasible to graduate, according to personal income, the number and quality of gowns women may purchase annually?
3. Is education or national prohibition a better way to eliminate the liquor traffic? Why?
4. What were the reasons which led to the measure that prohibited the general use of opium?
5. Make a study of your state laws which regulate consumption. Are they being enforced? Why?

CHAPTER XI

EFFECTS OF ADULTERATION AND MISBRANDING

History of Adulteration.—A census correspondent asked a spinster how old she was. The old maid blushed and promptly refused to tell. Determined to exact her age, the correspondent remarked, "Your neighbors told how old they are." "What," said the spinster, "did the Hill girls tell how old they are?" "Yes," replied the correspondent. "All right," said the spinster, "put me down as old as the Hills."

Adulteration is something like the old maid's age, it is about as old as the hills. A written record of it dates back to the Greek and Roman empires. It probably began to flourish extensively with the development of commerce.[1] Pliny tells us how bakers put a white earth, obtained from a hill near Naples, into their bread.

In the early days of England, also, adulteration was common. "Sometimes bread was made wholly of decayed materials; sometimes good outside and bad inside." Frequently, ale and beer were adulterated with sugar. A crude method of testing for added sugar was to spill some liquid on a wooden seat, and sit in it for a short time. If

[1] For a more detailed history of adulteration see the *Chemical Age*, March, 1920.

the tester stuck to the seat, he knew sugar had been added to the liquor. To prohibit adulteration, England passed a law in 1352, providing punishment through imprisonment. Later, namely in 1634, this law was strengthened.

As early as the thirteenth century France enacted laws purposed to prohibit adulteration. Later on, in the fourteenth century, a statute was passed which forbade the mixing of ground corn with bran, peas, beans, etc.

In the Middle Ages Germany turned her attention to this form of dishonesty. Persons found guilty of adulteration were severely punished. A deceptive butcher, for example, was expelled from a city for one month. In another instance, a trader who adulterated his products was burned. And in still another case, two men and a woman found guilty of adulteration were buried alive.

It was not till 1861, however, that England passed her first general act against the adulteration of food products. At this time, bakers were forbidden to use alum in their bread; and liquor manufacturers were forbidden to add opium, vitriol, honey, etc., to beer and to porter.

As to the United States, adulteration and misbranding were in full swing up to the passage of the Pure Food and Drug Act in 1906. To illustrate the extent of this form of dishonesty, a quotation may be to the point.

The late President Van Hise says:

> An article could be called pure fruit jelly and have no fruit in it; it could be called corn whisky and not a grain of corn be used in its manufacture; it could be named strained honey

and a bee never have anything to do with its making; it could be called maple sirup and never a drop of maple sap have entered it; it could be called butter and have no relation with milk or cream; it could be called boneless chicken and consist of immature veal.'

Surely, "Thou shalt not steal" needed to be put into practice to substitute "Thou shalt steal." True, all men did not steal oxen, for at that time there were not enough to go around. But at that time many men stole something more important than oxen—they stole the vitality of men, women, and children. Or, put in another way, dishonest practices prevented men, women, and children from having proper vitality. Such adulteration, so extensively applied and consequently so detrimental to health, called forth drastic action to protect the standard of living of the American people.

Pure Food and Drug Act.—In 1906, the Fifty-ninth Congress passed "an act for preventing the manufacture, sale, or transportation of adulterated or misbranded or poisonous or deleterious foods, drugs, medicines, and liquors, and for traffic therein, and for other purposes." [2]

Adulteration of goods over which the Federal government has jurisdiction this act makes a misdemeanor. Any person or persons or corporation or company or society or association found guilty under this law shall be fined not more than $500 or sentenced to one year of imprisonment, or both, according to the discretion of the court; and for

[1] Van Hise, *Concentration and Control*, p. 76.
[2] Fifty-ninth Congress, Session I, Chapter 3915, 1906.

each subsequent offense and conviction the fine shall not exceed $1000 or a sentence of one year of imprisonment or both, the degree of punishment meted out depending upon the discretion of the court.

Under the law, adulteration is quite specifically defined. Any drug which falls below the professional standard of quality, strength, or purity under which it is sold is adulterated. Confections containing any terra alba, barytes, talc, chrome yellow, or other mineral substance, or any poisonous color or flavor, or other ingredient deleterious or detrimental to health, or any vinous, malt, or spirituous liquor, or any compound or narcotic drug, are considered adulterated. Food products consisting of any substance mixed or packed with them which lowers or injuriously affects their quality or strength are said to be adulterated. Stated somewhat definitely, if any constituent of an article is partly or wholly abstracted; if any substance is substituted wholly or in part for an article; if there is any mixing, coating or staining of an article; if there is any addition of poisonous or other deleterious ingredient to an article, which makes that article injurious to health, there is adulteration. What is more, adulteration covers the sale or offer for sale of filthy, decomposed or putrid animal or vegetable substances.

Misbranding of articles is outlawed in these words:

> The term "misbranded," as used herein, shall apply to all drugs, or articles of food, or articles which enter into the composition of food, the package or label of which shall bear

any statement, design, or device regarding such article, or the ingredients or substances contained therein which shall be false or misleading in any particular, and to any food or drug product which is falsely branded as to State, Territory or County in which it is manufactured or produced.[1]

Misbranding is also considered a misdemeanor. And any person or persons or corporation or company or society or association found guilty of misbranding shall be fined not more than $200 for the first offense, and upon conviction for each subsequent offense shall be fined not more than $300 or be imprisoned for one year, or both, in the discretion of the court.

The machinery for making the Pure Food and Drug Act effective is vested in different bodies. To the Secretaries of the Treasury, Agriculture, Commerce, and Labor is given the duty of making uniform rules and regulations for carrying out the provision of the law. To the Bureau of Chemistry of the Department of Agriculture is given the duty of examining specimens of foods and drugs to determine whether or not articles are misbranded or adulterated. And the district attorneys are charged with the duty of prosecution in the proper courts of the United States in order that punishment might be meted out to those who violate the law.

Oregon State Law.—Various states followed the lead of the Federal government in making adulteration and misbranding illegal. Oregon passed her Pure Food and Drug Act in 1907.

[1] Fifty-ninth Congress, Session I, Chapter 3915, Sec. 8.

The statute is an act

preventing the manufacture and sale of adulterated or misbranded or poisonous or deleterious foods within this state, and providing for the labeling and marking of all articles or packages or containers of food of any description; and providing for the true net weight or net measure of contents of every package or container to be branded upon the label, and to provide penalties for the violation of this act; and to repeal all acts and parts of acts inconsistent herewith.[1]

The main provisions of the Oregon law are very similar to the chief provisions of the Federal act. There are, however, some different features. One difference is that the Federal law pertains to interstate traffic, while the Oregon Law pertains to intrastate commerce, and that the different machinery making the laws effective is vested in different bodies. In the Oregon law the State Food and Dairy Commissioner, instead of the secretaries as the Federal law designates, is charged with the duty of making uniform rules and regulations for carrying out the provisions of the act.

Specific Provisions Applying to Adulteration and Misbranding in the Oregon Law.—The two foregoing laws are more or less general, and simply furnish the foundation upon which specific provisions are built. Some of these provisions for Oregon follow:

1. *Infected or Diseased Fruit.*—"It shall be unlawful for any person, firm, or corporation to import or sell any infected or diseased fruit of any kind in the State of Oregon, except that such fruit may be sold to evaporators, fruit canneries, fruit

[1] General Laws of Oregon, 1907, Chapter 167, p. 318.

product factories or other by-product factories under the following conditions:

(1) Such fruit so sold shall be used solely for the production of manufactured fruit products, beverages, or other manufactured products or by-products.

(2) The nature of the infestation or infection shall not be such as to make the article of food or beverage manufactured from such fruit unhealthful or unfit for use as a food or beverage."[1]

2. *Meat Products.*—"It is unlawful to manufacture for food, prepare for food, sell, offer for sale, expose for sale, or have in one's possession for the purpose of sale, any unwholesome meat or unwholesome meat-food product."[2] In the law unwholesome means "all meats or meat-food products which are diseased, contaminated, putrid, unsound, unhealthful or unfit for food."[2]

3. *Cheese.*—"Every person who shall manufacture cheese in the State of Oregon, shall at the place of manufacture, brand distinctly and durably on the bandage of every cheese and box containing the same, the true grade of cheese as follows, to wit. 'Oregon Full Cream Cheese' or 'Oregon Half Skimmed Cheese' or 'Oregon Skimmed Cheese' as the case may be. All cheese marked 'Oregon Full Cream Cheese' must contain in the water-free substance not less than 50 per cent of milk fat. All cheese marked 'Oregon Half Skimmed Cheese' must contain in the water-free substance not less than 25 per cent of milk fat.

[1] General Laws of Oregon, 1917, Chap. 106, p. 138.
[2] *Ibidem*, Chap. 417, pp. 872, 873.

'Oregon Quarter Skimmed Cheese' must contain in the water-free substance not less than 12 per cent of milk fat. All cheese not plainly marked or branded as to its quality, must contain in the water-free substance not less than 50 per cent of milk fat." [1]

4. *Condensed or Evaporated Milk.*—"No person shall within this State manufacture for sale, have in his possession with the intent to sell, offer, or expose for sale, or sell, any condensed or evaporated milk hereafter manufactured, unless it shall conform to the following standards and conditions:

(1) It shall be prepared by evaporating the fresh, pure, whole milk of healthy cows. . . .

(2) It shall contain total solids of 25.5 per cent and the percentage of milk fat shall be not less than 7.8 per cent.

(3) It shall contain no added butter or butter oil incorporated either with whole milk or skimmed milk or with the evaporated milk at any stage of the manufacture." [2]

5. *Bread.*—"No person, firm, or corporation shall hereafter manufacture, sell, offer, or expose for sale bread, except in the following weights, which shall be net weights twelve hours after baking: One pound and one and one-half pounds, two pounds, three pounds, four pounds, and five pounds, or other pound weights. Variations at the rate of one ounce per pound over, and one ounce per pound under above specified unit

[1] General Laws of Oregon, 1917, Chap. 388, p. 818.
[2] *Ibidem*, Chap. 63, pp. 85, 86.

weights are permitted in individual loaves, but the average weight of not less than twenty-five loaves of any one unit of any one kind shall not be less than the weight prescribed by these regulations for such unit."[1]

6. *Butter.*—Butter is adulterated if it "contains more than sixteen per cent water" or "less than 80 per cent milk fat."[2]

7. *Cream.*—Cream is adulterated if it "contains less than 18 per cent butterfat."[2]

Conclusion.—Undoubtedly such laws providing against adulteration and misbranding are helpful to the consumer. Yet these laws are violated from time to time. To exemplify, in 1920, it is reported that consumers in Portland, Oregon, were "robbed of many thousands of dollars" by the purchase of short-weight butter.[3] Investigations indicate that butter offered for sale in Portland, Oregon, "weighed from one to two ounces a pound less than what the consumer was charged for."[3] Charges were also made about the same time that much under-weight bread was sold in Portland, Oregon. A little later, in 1920, a certain creamery company was tried in Portland, Oregon, for using lime and soda in churning sour cream. The process was said to be in violation of Federal law.[4]

More direct and accurate proof of adulteration, however, may be found in the reports of the Dairy and Food Commissioner of Oregon and

[1] General Laws of Oregon, 1919, Chap. 82, p. 89.
[2] *Ibidem,* Chap. 169, p. 234.
[3] *Oregon Daily Journal,* October 2, 1920.
[4] *Ibidem,* December 5, 1920.

similar reports of other State authorities. Taking merely one Oregon report as an example, during the period from October 1, 1918, to September 30, 1920, the Oregon Dairy and Food Commissioner had condemned and destroyed "as being unfit for human food on account of decayed, wormy, moldy, soured, or decomposed condition" the following:[1]

Product	*Pounds*	*Product*	*Pounds*
Apples	11,662	Lettuce	160
Apricots	4,290	Macaroni	25
Bananas	1,002	Meat	100
Beef	3,199	Mince meat	48
Cabbage	24,930	Nut meats	100
Candy	75	Oat meal	150
Cantaloupes	27,090	Onions	1,920
Cereals	340	Peaches	40,250
Cheese	80	Peaches (dried)	153
Cherries	6,208	Pears	1,280
Clams	567	Pork	890
Cod (kippered)	100	Potatoes	59,932
Crabs	187	Poultry	1,298
Currants	45	Prunes (dried)	700
Figs	168	Raisins	55
Fish	48,995	Rice	850
Fish (canned)	8,460	Salt	100
Flour	291	Strawberries	196
Fruit (canned)	885	Tapioca	25
Honey	1,800	Tomatoes	72
Ice	100,000	Turnips	20,400
Jelly	20	Veal	168
Kraut	400		
Lard	150	Total	369,516

OTHER CONDEMNED PRODUCTS[1]

Catsup, gallons	5	Eggs, dozen	523
Catsup, bottles	48	Honey, bottles	8
Crabs, dozen	45	Ice cream, gallons	15
Cream, gallons	35	Pickles, bottles	32
Deviled olive relish, cans.	400	Pickles, keg	1

[1] Thirteenth Biennial Report of the Dairy and Food Commissioner of the State of Oregon, 1921, p. 25.

Perhaps the thing that is needed in such cases of adulteration is to make the penalties more severe. Perhaps our laws on adulteration should also be extended to cover a greater variety of commodities.

Better standardization of goods would likewise contribute to the elimination of adulteration. And better standardization will likely come as time comes and goes. Even now, the hopeful sign of the present seems to be a tendency for greater standardization. Not only are the states and Federal government turning their attention to standardization, but private concerns are also doing much along this line. Butchers pride themselves in having their meat products inspected. Apple growers are particular in telling consumers of definite endeavors to pick, grade, and pack apples properly. When possible, dry goods men make a point on pure woolen clothes. Ice-cream vendors point out the superiority of quality over quantity. And thus it goes.

Surely, if the time ever comes when most commodities are standardized as money is standardized, consumers will save not a little time, money, and labor. Every effort, individual and governmental, should be put forth to perfect our standards so that in time adulteration and misbranding may pass away, absolutely, finally, and forever.

Exercises and Problems

1. Criticize: A state of free competition and enlightened self-interest would eliminate adulteration altogether. For under such conditions, consumers, following their enlightened

self-interest, would refuse to buy inferior goods. Their refusal would in turn force producers to grow, manufacture, or produce and offer for sale only goods of the best quality. This discrimination on the part of consumers, therefore, would abolish adulteration.

2. Is it true that every invention, every creation of a new product, opens up a new avenue for new forms of dishonesty?

3. Why are men who fight adulteration so adversely criticized at times?

4. From one report of the Dairy and Food Commissioner of Oregon classify the different types of adulteration in accordance with their frequency of appearance in prosecutions.

5. Compare the administrative features of the state laws on adulteration.

CHAPTER XII

FACTORS AFFECTING THE WELL-BEING OF A NATION

Through Chapters VII, VIII, IX, X, and XI, the discussion hinged on the well-being of the individual; throughout this chapter and the following one, the discussion will revolve about the well-being of nations. In this chapter natural resources, climatic conditions, trade policies, wealth distribution, factors affecting the size of populations, and national habits and customs will be discussed with a view of showing how these factors enter into the well-being of any nation. In the next chapter, the discussion will revolve about the United States particularly; and pertinent conclusions will be reached pertaining to the relationship of production, population, and national well-being.

Natural Resources.—In Chapter V, it was pointed out that Americans are thought to have the highest standard of living, that Europeans have next to the highest, and that Orientals have the lowest. It is now interesting to compare the acreage of crops per person in various countries, to see if available improved land utilized is partly reflected in standards of living.

ESTIMATED ACREAGE OF CULTIVATED LAND AND FOOD PRODUCTION OF THE PRINCIPAL COUNTRIES[1]

Country	*Acreage of Cultivated Land per Capita Acres*
United States	3.5
Russian Empire	1.7
India (British)	1.1
German Empire	1.0
Austria-Hungary	1.2
France	1.5
Argentina	6.3
Italy	1.0
Canada	4.6
United Kingdom	0.4
Japan	0.3
Australia	3.4

[1] Finch and Barker, *Geography of the World's Agriculture* (1917), p. 8.

These figures clearly show that the United States is among the leading nations of the world from the standpoint of the amount of cultivated land per capita. Undoubtedly, this great acreage of improved land per capita in the United States is a contributing cause to the high standard of living in this country. True, because, when other things are equally favorable, the greater the acreage of improved land per capita of a given nation, the higher the standard of living of that nation. While Argentina and Canada, both having a larger acreage of cultivated land per capita than the United States, may seem to be exceptions to this rule, in reality they are not exceptions to the rule, because they are not so far advanced industrially as the United States. It is because of this reason, and other reasons, that the United

States leads these two nations in well-being. Fortunate are the citizens of the United States.

Near to improved land as a factor determining the standard of living of a nation are mineral resources. Without coal, wood, gas, and oil, it would be extremely difficult to keep comfortably warm in cold weather. Without iron, copper, and silver it would be practically impossible to grow and utilize food products. In fact, minerals have been used so long and so extensively that they are as handy as the right hand and about as indispensable.

In respect to minerals the United States is, indeed, fortunate. This country produces 40 per cent of the world's iron and steel supply, 20 per cent of all the gold, 40 per cent of all the silver, 52 per cent of all the coal, 60 per cent of all the copper, and 66 per cent of all the oil.[1] These splendid resources contribute in a large degree to the American standard of living.

Climatic Conditions.—No matter how fertile the land, if climatic conditions are not favorable it is impossible to produce a large variety and number of products which, of course, are essential to a good standard of living. In respect to climatic conditions the United States is practically as fortunate as Norway, Sweden, Denmark, Germany, Great Britain, Ireland, the Netherlands, France, Spain, Portugal, and Italy combined. The winter temperature of these countries ranges between 20° and 60°, and the summer temperature between 50° and 80°. While these conditions are

[1] *Corvallis Gazette-Times*, January 30, 1922.

not reproduced with exactness in the United States, yet this country as a whole enjoys about the same annual temperature as western Europe as a whole. The winters in America are much colder than those of Europe, but they are offset by much warmer summers in America. In a word, the United States so lies in the oceans, and is so struck by currents, winds, and rains that she can produce nearly all the products grown from Norway down to Spain. Perhaps, it is these favorable climatic conditions coupled with other factors that give the United States the lead in well-being.

Trade Policies.—Trade policies also enter into the welfare of a nation. Practically every country in the world, because of a deficiency in natural resources or because of limited capital or because of the want of a sufficient labor supply or because of the lack of skill, is compelled to trade with other countries in order to procure the right quantity or quality of goods to maintain its population. Even the United States, with all its varied resources and numerous other advantages, is no exception to the rule. Much of our high-grade wool comes from Argentina and Australia. Nearly all our coffee comes from Brazil. Most of our bananas come from British West Indies, Central American States and British Honduras, Cuba, and South America. A considerable portion of our sugar comes from Cuba, and most of our tea from China and Japan. To offset these imports the United States exports wheat, cotton, meat products, etc.

Inasmuch as trade is an essential to any nation looking forward to the well-being of its people, every nation should formulate trade policies, and so adhere to them, that it will be able to exchange its surplus products for desirable goods which it cannot, or does not, produce. While it is necessary for a nation to produce its military armaments and absolute necessities, because of war or the dangers of war, aside from the production of these articles, a nation should raise those commodities for which it is best adapted; and then exchange its surpluses for goods or services not produced at home in sufficient quantities to answer home needs. Through such production and trade the world's total supply of goods could be increased to a noticeable extent; and the welfare of each country could accordingly be advanced—the very thing for which each nation should strive.

The Distribution of Wealth.—The well-being of a nation may depend partly upon the amount and kind of wealth it possesses, and partly upon the way in which this wealth is distributed. A nation may be exceptionally rich in assets, but only a few people may own them. In such a nation, the great mass of people may live miserably. It should, therefore, be the aim of every nation to distribute its wealth not only with a view to keep intact its natural resources and stock of capital goods as much as is feasibly possible, but also with a view of decently housing, feeding, and clothing its citizens. The following figures give a comparison of the distribution of wealth in a few countries:

I. The United States[1]
- *a.* The Rich—2 per cent of the people own 60 per cent of the wealth.
- *b.* The Middle Class—33 per cent of the people own 35 per cent of the wealth.
- *c.* The Poor—65 per cent of the people own 5 per cent of the wealth.

II. United Kingdom[2]
- *a.* One half of the wealth is owned by .4 per cent of all the families.

III. France[2]
- *a.* One half of the wealth is owned by .8 per cent of all the families.

IV. Prussia[2]
- *a.* One half of the wealth is owned by 1.7 per cent of all the families.

Population.—The size of the population of a given nation vitally affects its national welfare. An English economist by the name of Thomas Robert Malthus pointed out, in his celebrated book, *The Theory of Population,* the danger of overpopulation. According to his theory, if unchecked, the population has a tendency to increase in geometrical progression (that is to say, by multiplication: 2-4-8-16-32-64, etc.); whereas the most that can be hoped for the food supply is to increase in arithmetical progression (that is to say, by addition, 2-4-6-8-10, etc.).

While Malthus recognized certain positive and preventive checks to the growth of population, he

[1] Bogart and Thompson, *Readings in the Economic History of the United States,* p. 822.

[2] Ely, *Property and Contracts in their Relation to the Distribution of Wealth,* Vol. I, p. 319.

failed to note all of them. And it is this failure to emphasize all of the checks that has led many people to erroneous conclusions regarding the dangers of overpopulation. Before discussing the danger of overpopulation in the United States, however, the checks to the growth of the population will be treated. Among the most important checks to the increase of population are: (1) disease, (2) war, (3) crime and vice, (4) famine, (5) women entering industry, (6) higher education, (7) a higher standard of living, (8) the spread of the doctrine of equality of opportunity, (9) divorce, (10) the prevention of conception, (11) the elimination of defectives, (12) immigration laws.

Disease as a Check.—A good illustration of disease cutting down the population is the Black Death. Between 1347 and 1349

> there fell upon Europe the awful pestilence known as the Black Death. The plague was introduced from the East by way of the trade routes of the Mediterranean, and from the southern countries spread in the course of a few years over the entire continent, its virulence without doubt being greatly increased by the unsanitary condition of the crowded towns and the wretched mode of living of the poorer classes. In many regions almost all the people fell victims to the scourge. Many monasteries were almost emptied. In the Mediterranean and Baltic, ships were seen drifting about without a soul on board. Crops rotted unharvested in the fields; herds and flocks wandered about unattended. It is estimated that from one third to one half of the population of Europe perished. Hecker, a historian of the pestilence, estimates the total number of victims as twenty-five millions. It was the most awful calamity that ever befell the human race.[1]

[1] Myers, General History, p. 452.

Progress in the methods of checking and preventing disease since the Black Death has reduced the death rate considerably. But in spite of such progress, there are yet a great many people who die prematurely because of plagues sweeping through the world, particularly certain sections of the world. For example, influenza and pneumonia killed 4,000,000 people during the late European War.[1] Tuberculosis is also a dreadful disease. It takes an annual toll of 150,000 lives in America alone.[2]

War as a Check.—Throughout the history of the human race war has, from time to time, reduced the size of the population appreciably. Take the late European war as an example. During this war 7,629,813 soldiers were killed.[2] This number represents 12.89 per cent of the total enlistments.[3]

As civilization advances, war becomes more destructive. It destroys so much property, cripples so many people and so interferes with trade, that the fewer people who are left alive after a war likely find it more difficult to subsist on the property left undestroyed than the larger population did before the war. It has been estimated by Professor E. L. Bogart that the direct money outlays and indirect costs, such as the destruction of property, the depreciation of capital, the loss of production, the interruption to trade, etc., "of the bel-

[1] American Eagle Fire Insurance Company, *Peace and Its Price.*
[2] Bogart and Thompson, *Readings in the Economic History of United States,* p. 852.
[3] American Eagle Fire Insurance Company, *Peace and Its Price.*

ligerent countries amounted to $335,000,000,000 [1] from August 1, 1914, to December 31, 1917.

On the other hand [says Professor Bogart] certain deductions may be made which reduce somewhat the real costs. In the first place, not all of the war expenditure is a pure loss. Some expenditures are simply transferred from family budgets to that of the state. Soldiers are fed, clothed, and housed at the expense of the government and the bill is paid out of taxes or loans. Other expenditures are positively productive, such as the building of railways or merchant vessels. And in the second place, it is quite obvious that a partial explanation of the growing costs of the war lies in the depreciation of the money unit. Measured in dollars, the expenditures are mounting steadily and rapidly. Measured in terms of services and commodities, the increase is much less rapid. It has been estimated by the editor of the London *Statist* that the "net cost of the war to the belligerents is about one half of its total cost." If this generalization be accepted as correct and one half of the direct cost be subtracted, there is left as the real economic cost of the war thus far $176,700,000,000.[1] [Bogart's estimates of cost covers the period from August 1, 1914, to December 31, 1917.]

In discussing "War and Population," Professor James A. Field, also notes some of the wastes of war. He writes:

The direct effects of the war upon the populations of the belligerent nations are but too terribly apparent. Not only have deaths and incapacitating casualties run into the millions; not only is there this enormous loss of numbers—the wastage has been so concentrated among males of fighting age as to work a serious distortion of the population structure. Economically, the proportion of producer to consumers has been reduced. Biologically, the balance of the two sexes is disturbed in the reproductive years of life and the capacity of monogamic

[1] Clark, Hamilton, Moulton, *Readings in the Economics of War*, p. 543.

increase is correspondingly impaired. Even though birth rates may nevertheless rally at the close of the struggle, this disproportion of ages and sexes cannot thereby be corrected. It will leave its disfiguring and disabling effects for decades to come.

Nor will the present population alone bear the scars. If there is any significance in heredity, and any truth in the contention that modern warfare accomplishes an adverse selection through the slaughter of the physically bravest and best, then the new generation and through its posterity, must be the continuance of an impoverished breed. This, too, is a damage that mere volume of births can hardly mend. The two inches of average stature which the French people is said to have lost in the Napoleonic wars were lost in spite of a tolerably vigorous revival of the birth rate after those devastating campaigns. And though we may question whether the selective agency of war operates with such obvious effect upon the human characteristics of body and mind that most concern us, we cannot well doubt that lasting modifications of our racial endowment are now in process on the battlefields of Europe. It does not follow that deterioration will be at once manifest when the next generation succeeds to leadership in Western civilization. Indeed, it is more to be feared that civilization may conform itself imperceptibly to the lowered standards of a depleted stock. In any event, history that might have been is now cut off with the lives of those whose unborn descendants would have made it.[1]

When all these losses are considered it is, indeed, true that modern warfare is far more destructive than it is helpful to society.

Crime and Vice as Checks.—Unfortunate as they are, crime and vice nevertheless represent checks to the growth of the population. Vice retards the growth of population in two ways: first, it results in incapacity for parenthood; second, it

[1] Clark, Hamilton, Moulton, *Readings in the Economics of War*, pp. 555–556.

causes premature death of the vicious. Crime, also, prevents growth in the population. It frequently leads to the imprisonment of criminals, who are at the time of imprisonment restrained from reproduction.

While it is impossible to estimate the exact influence of crime in checking the growth of population, estimates may be given for vice as a factor in retarding the growth of population. "To support 300,000 prostitutes (in the United States) over $200,000,000 is contributed annually, and some 40,000 new recruits are plunged into this maelstrom to the ruin of the race." [1]

Now, the average duration of life in Massachusetts is 45 years.[2] Now, it is thought that the mortality of prostitutes is extremely high. A conservative estimate would place the average life of a prostitute from 5 to 7 years shorter than the average duration of a human life.[3] Hence, this type of vice annually shortens the lives of 40,000 women who yearly enter this field by approximately one sixth of the average life.

Famine as a Check.—The growth and improvement of transportation facilities has reduced the number of famines materially. Formerly, it was practically impossible to get food from places of abundant production to places of scant production quickly enough to save a starving people. But now improved railways and steamships make possible

[1] Brooks, *Markets and Rural Economics*, p. 57.
[2] Bogart and Thompson, *Readings in Economic History of the United States*, p. 852.
[3] *The Social Evil in Chicago*, and the report of the Wisconsin Vice Committee.

a relatively quick distribution of products, which in turn saves many lives from perishing from starvation. Yet, even to-day, people in densely populated countries starve to death. Thousands of people starved to death in the late war. From the Orient now comes the report (December 10, 1920) that "calamitous famine is now ravaging in China, directly affecting 50,000,000 persons, indirectly 3,000,000 more and spelling horrible death for at least 20,000,000 children, men and women." [1]

Women Entering Industry.—Still another factor retarding the growth of population is women in industry. Formerly, woman was largely confined to the home, but not so any longer. According to the 1910 census 8,000,000 females ten years of age and upward were engaged in gainful occupations in the United States. The mere fact that women can now earn their living independently is sufficient ground to postpone marriage till proper suitors apply. Many a woman now feels, and rightly too, that she will not marry unless she can maintain as high a standard of living as the one to which she has been accustomed. As a consequence, waiting for eligible husbands lowers the birth rate and accordingly checks the growth of population.

The Industrial Revolution which made possible women's present position in industry has, indeed, been a vital factor in tending to prevent the population from encroaching upon the food supply.

Higher Education and a High Standard of Living as Checks.—Statistics on higher education,

[1] *Oregon Daily Journal,* December 10, 1920.

it is said, indicate that college and university graduates postpone marriage longer than others, and that they usually give birth to fewer children than other classes of people.[1] It goes without saying that this tendency aids in the movement to limit the population.

If the annual births of children in the different classes of the population can, moreover, be taken as an index to the effect different standards of living have on the growth of population, it may be said that the higher, or rather the more expensive, the standard of living of a couple, the fewer the children born to the couple. This statement is partly borne out in the Table X compiled by Dr. Jaques Bertillon in 1897.

TABLE X[2]

ANNUAL BIRTHS PER 1000 WOMEN AGED FIFTEEN TO FIFTY IN DIFFERENT QUARTERS OF THE UNDER-NOTED CITIES

	Paris	*Berlin*	*Vienna*	*London*
Very poor quarters	108	157	200	147
Poor quarters	95	129	164	140
Comfortable quarters	72	114	155	107
Very comfortable quarters	65	96	153	107
Rich quarters	53	63	107	87
Very rich quarters	34	47	71	63

The Spread of the Doctrine of Equality of Opportunity.—By the doctrine of equality of opportunity is meant that each child born into the world has the moral right to be born physically fit, mentally normal, and with a fair opportunity to obtain an ordinary education. The number of

[1] Corvallis *Gazette-Times*, December 14, 1921.
[2] Wolfe, *Reading in Social Problems*, p. 88.

people holding this view is increasing. Certain diseased persons adhering to this doctrine, refuse to bring children into the world, because if they were to do so, their children would be diseased. Certain other persons who are too poor financially to give children an ordinary education likewise refuse to rear a family. With the spread of this doctrine, therefore, the tendency to limit the population grows stronger.

Divorce as a Check.—The divorce rate in the United States has been increasing three times as fast as the population.[1] This has acted as a distinct check to population growth, for a large number of the people divorced never remarry. Just how long divorce will continue to act as a check to the growth of the population is problematical. As days come and go, woman competes more and more with man in industry. This competition likely causes more divorces, because wives frequently refuse to live with husbands when they can better themselves by getting divorces and taking up life independently. Perhaps the real cure for divorce is in a higher type of family, like the ethical family described by Professor Giddings.[2] But until this family universally arrives, likely the divorce courts will continue to grind; and thereby act as one of the checks to the growth of population.

The Prevention of Conception.—Whether or not the means used to prevent conception are approved, the fact still remains that these means are spreading rapidly and are effective in limiting

[1] Rowe, *Society: Its Origin and Development*, p. 74.
[2] Giddings, *Principles of Sociology*, p. 352.

the growth of the population. A few years ago, a few persons in the United States attempted publicly to impart knowledge along this line. They were prevented from doing so; and at the time newspapers of the country were filled with discussions on this particular subject. While these persons were prohibited from addressing audiences and distributing pamphlets on the prevention of conception, they helped, nevertheless, to spread such information. That the means to prevent conception are, indeed, effective may be shown by the average size of the family in the United States. At present, the average American family consists of about five persons: husband, wife, and three children.[1] If there were no steps taken to prevent conception, it is safe to say that the average American family would be larger.

Elimination of Defectives.—Most of the best authorities on defective people say that some of these classes propagate more rapidly than normal people reproduce. Particularly is this true of feeble-minded people. These same authorities, also, say that feeble-mindedness is inherited; or, put in another way, they say that about 65 per cent [2] of the feeble-minded people are the children of feeble-minded parents.

It is estimated that there are about 300,000 feeble-minded and insane people in the United States.[3] Many of these unfortunates are being segregated in institutions for feeble-minded. Such

[1] *Standards of Living,* Bureau of Applied Economics, Inc., p. 1.
[2] Emrick, Report in Ohio Country Life Conference (1915), p. 64.
[3] Hayes, *Introduction to the Study of Sociology,* p. 248.

segregation has a tendency to limit the growth of this undesirable section of the population.

Immigration Laws.—Immigration has been an obvious factor in the growth of the population of the United States. "From 1820 to June 30, 1910, 27,918,992 immigrants were admitted to the United States."[1] While the United States has, from time to time, passed general immigration laws since 1882, it seems as if immigration is still a strong factor in the growth of the population of this country. Between January 1 and October 1, 1920, approximately 600,000 aliens had arrived at American ports.[2] The regulation of immigration, however, has been a check to the growth of the American population. A study of the American immigration laws clearly shows that many undesirable aliens have been refused admittance to the United States.

These checks to the growth of population, among others, have indeed been instrumental in keeping down the population. As a consequence, the standard of living of the American people and of society in general is unquestionably higher than it otherwise would have been had these checks not operated.

National Habits and Customs.—The habits and customs of a people vitally affect the standard of living. Before the passage of the prohibition law in the United States, citizens of this country spent about $1,700,000,000 annually for whisky, wine,

[1] Bogart and Thompson, *Readings in Economic History of United States,* p. 783.

[2] *Business Conditions,* November, 1920, p. 15.

and beer.[1] Had this sum of money been employed in producing necessities, like bread, meats, clothing, etc., the American standard of living would have been more efficient. China was for some time addicted to the use of opium and consequently had a much lower standard of living than she might have had. According to Professor Ugo Ancona, formerly undersecretary of transportation in the Italian Cabinet, Italian workers spend $900,000,000 a year on wine alone. The Italians have no objection to paying 4 or 5 lire for a quart of wine, yet they refuse to pay more for bread than one lira for each kilogram of 2.2 pounds.[2] By cutting down their wine bill, the Italians would have a splendid opportunity to raise their standard of living.

Again, some nations, like France, are excessive gamblers; and other nations, like Italy, have too many holidays. Parasitic living is thus encouraged. Production is, therefore, decreased; and as a consequence the standard of living drops perceptibly. Certainly every nation should look to its habits, to see if they lower or raise its standard of living.

Questions and Exercises

1. How do you account for the fact that the United Kingdom has a higher standard of living than China when China has more improved land in crops per person than the United Kingdom?

2. Between what lines of average annual temperature are the highest civilized nations located?

[1] Brooks, *Markets and Rural Economics*, p. 57.
[2] *Oregon Daily Journal*, December 7, 1920.

3. Is the standard of living of a nation a good index to its civilization?

4. Why does the United States both import and export cheese?

5. Why is it not possible for the food supply to increase in geometrical progression?

6. Would the world's supply of goods be greater if each nation produced only those commodities for which it is best adapted?

7. Enumerate the forces interfering with the natural growth of the population.

8. What are some of the factors tending to prolong life?

9. Name five American habits tending to lower the standard of living.

CHAPTER XIII

THE RELATION OF PRODUCTION TO THE POPULATION OF THE UNITED STATES

In this chapter an effort is made to show the relation of production and population in the United States with a view of emphasizing the importance of this relationship to the standard of living of the people of the United States.

The Population of the United States.—The population of continental United States has grown by leaps and bounds since 1790, as is indicated in Table XI. In 1790, there were hardly 4,000,000 people in the United States, while to-day, there are over 105,000,000. Every decade from 1790 has registered a tremendous growth. Measured in percentages, the population increased 35.1 per cent from 1790 to 1800; 36.4 per cent from 1800 to 1810; 33.1 per cent from 1810 to 1820; 33.5 per cent from 1820 to 1830; 32.7 per cent from 1830 to 1840; 35.9 per cent from 1840 to 1850; 35.6 per cent from 1850 to 1860; 26.6 per cent from 1860 to 1870; 26.0 per cent from 1870 to 1880; 24.9 per cent from 1880 to 1890; 20.7 per cent from 1890 to 1900; 21.0 per cent from 1900 to 1910; and 14.9 per cent from 1910 to 1920. The average rate of growth of population in continental United States has been about

double the average rate of Europe and Canada; and has also been much greater than the average rate of Australia or Mexico.

TABLE XI

INCREASE IN POPULATION OF CONTINENTAL UNITED STATES[1]

Census Year	*Population of Continental United States*	*Increase over Preceding Census*		*Percentage of Increase with Correction for 1870 and 1880*
		Number	*Per cent*	
1920[2]	105,683,108	13,710,842	14.9	14.9
1910	91.972,266	15,977,691	21.0	21.0
1900	75,994,575	13,046,861	20.7	20.7
1890	62,947,714	12,791,931	25.5	24.9
1880	50,155,783	11,597,412	30.1	26.0
1870	38,558,371	7,115,050	22.6	26.6
1860	31,443,321	8,251,445	35.6	35.6
1850	23,191,876	6,122,423	35.9	35.9
1840	17,069,453	4,203,433	32.7	32.7
1830	12,866,020	3,227,567	33.5	33.5
1820	9,638,453	2,398,572	33.1	33.1
1810	7,239,881	1,931,398	36.4	36.4
1800	5,308,483	1,379,269	35.1	35.1
1790	3,929,214	.....	...	...

[1] Bogart and Thompson, *Readings in the Economic History of the United States*, p. 778.

[2] *Business Conditions*, November, 1920, p. 16.

In spite of this rapid growth in population, however, the standard of living in the United States has on an average been above other countries. What, then, has made it possible to grow so rapidly in numbers but yet rise in living? Perhaps a glance at the growth of wealth of the people of the United States will partly answer the interrogation.

Growth of Wealth in the United States.—Table XII shows that the national wealth of the United

TABLE XII

ESTIMATES OF NATIONAL WEALTH OF THE UNITED STATES[1]

Date	*Estimated Wealth in Dollars*	*Per Capita Wealth in Dollars*
1919	$300,000,000,000	$2,804
1912	187,739,071,090	1,965
1904	107,104,192,410	1,318
1900	88,517,306,775	1,165
1890	65,037,091,197	1,036
1880	43,642,000,000	870
1870	24,054,814,806	624
1860	16,159,616,068	514
1850	7,135,780,228	308

[1] Census Bulletin (Washington, 1915), 14–16, 18–20. Estimated Valuation of National Wealth. Bogart and Thompson, *Readings in Economics History of the United States,* p. 813. *Peace and Its Price,* American Eagle Co.

States has increased not only rapidly, but also more rapidly than the population. In 1850, the wealth of the United States was estimated at a little more than $7,000,000,000; and in 1919, about $300,000,000,000. In 1850, the wealth per capita was $308, and in 1919, approximately $2804. Relatively, $2804 per capita is considerable. It is much more than the wealth per capita of any other leading country, as will be noted in Table XIII. In other important countries the wealth per capita ranged (in 1919) all the way from $343 in Russia to $2609 in Great Britain. It is this greater wealth per capita that makes it possible for the people of the United States to have a higher standard of living than other countries.

Factors Limiting the Growth of Wealth in the United States.—In connection with the relative growth of population and wealth, two significant

TABLE XIII

ESTIMATES OF WEALTH OF DIFFERENT COUNTRIES IN 1919[1]

Country	*Estimated National Wealth in Dollars*	*Estimated Wealth per Capita in Dollars*
United States	$300,000,000,000	$2,804
Great Britian (not including colonies)	120,000,000,000	2,609
France	90,000,000,000	2,250
Germany	80,000,000,000	1,231
Russia	60,000,000,000	343
Italy	40,000,000,000	1,111
Japan	23,000,000,000	500
Austria-Hungary ...	40,000,000,000	755
Turkey	8,000,000,000	376

[1] *Peace and Its Price,* by Eagle Fire Insurance Company.

questions may be asked. First, why has per capita wealth increased so rapidly in the United States? Second, will the per capita wealth of the United States continue to increase as rapidly in the future as it has increased in the past?

As to the first question. The relative ease with which a large annual income was and is secured is the main answer to this question. For the pioneers of America were abundantly blessed. They inherited many and varied natural resources. Expansive forests stood towering in the air, waiting for the ax and saw. Rich virgin soils of all kinds and colors lay at the feet of the pioneer ready to be plowed and tilled. Streams, stretching from the Atlantic to the Pacific, were literally alive with fish. Deep woods and broad prairies served alike as the home for man and for beast. Copper and iron existed in huge quantities to answer the

various needs of peace and of war. Coal there was in abundance, to propel the engines of land and of sea. Briefly stated, the natural resources of the United States, many and varied, were virgin, untouched, ripe for use.

These untouched natural resources led the pioneer into the period of "Industrial Exploitation."[1] In it, he privately appropriated the natural resources from the public domain; and by the application of labor and capital he wrested wealth from nature. His rewards were immediate and large. He gave little and took much. In the process of reaping without sowing, he undoubtedly destroyed latent agencies or social values; but he also conserved some wealth. This he later put to good use in what Professor R. H. Hess calls the "Régime of Development."[1]

In the latter period, man was able to combine land, labor, and capital in such proportions that more wealth could ultimately be produced in the succeeding period of "Industrial Maturity,"[1] wherein a nation becomes permanently self-supporting. Likely it is that at present the United States is in the period of "Industrial Maturity," which implies a trend toward maximum efficiency.

Now it is the exploitation, then the development and the judicious use of these rich natural resources that lies at the bottom of our natural wealth which has steadily increased in spite of a growing population.

[1] Ely, Hess, Leith, Carver, *The Foundations of National Prosperity*, pp. 102–104.

As to the second question, Can the United States continue to increase its wealth per capita? To consider intelligently this interrogation, an inventory of our most important resources must be taken; the law of diminishing productivity, which is physical, must be reckoned with; the probable growth of population must be considered, and the efficiency of consumption must be noted.

Agricultural Lands of the United States.— While the area of the United States proper has remained practically unchanged from 1850 to 1910, the total acreage in farms has increased, but the acreage of farm land per person has decreased as may be noted in Table XIV.

TABLE XIV

LANDS IN FARMS IN THE UNITED STATES
(Outlying possessions excluded) [1]

Census Year	*Total Acreage in Farms*	*Acreage of Farm Land per Person in United States*
1850	293,560,614	12.66
1860	407,212,538	12.95
1870	407,735,041	10.58
1880	536,081,835	10.69
1890	623,218,619	9.90
1900	838,591,774	11.03
1910	878,798,325	9.55

[1] King, *Wealth and Income of the People of the United States*, p. 23.

The facts in Table XIV simply indicate that our population has been increasing a little faster than our agricultural land. But the quantity of land must be treated in connection with its quality. Has our agricultural land on the average, as it has

grown in quantity, become more fertile? No. Very likely the average quality of our farm land is poorer to-day than it was in 1850. While Table XV reflects an increased yield of leading crops per acre, it shows a surprisingly small increase. And this increased yield per acre can largely be

TABLE XV[1]

ACRE YIELDS OF LEADING CROPS IN THE UNITED STATES
(Outlying possessions excluded)

Period	*Average Crop per Acre*				
	Corn Bushels	*Wheat Bushels*	*Oats Bushels*	*Barley Bushels*	*Cotton Bales*
1866-1875	26.1	11.9	28.1	22.9	...
1876-1885	25.5	12.3	27.6	22.4	.348
1886-1895	23.5	12.6	25.6	22.6	.383
1896-1905	25.2	13.5	29.6	25.1	.405
1906-1912	27.0	14.5	29.1	25.0	.394

[1] King, *Wealth and Income of the People of the United States*, p. 25.

attributed to improved methods of farming, due to the growth of scientific agriculture. In fact, the multiplication of agricultural colleges, experiment stations and farm journals since 1850, ought, even when the cultivation of poorer and poorer lands are considered, to have increased the crop yield per acre more than Table XV shows.

But one may argue, if improved agriculture has increased the average yield of crops per acre in the past, it will be possible continually to improve agricultural methods, so that no matter how large the population may be, it will never encroach upon the food supply; and thereby lower the standard

of living. Such reasoning fails, however, to take into account the law of diminishing productivity which works as truly as does the law of gravitation. In the application of successive units of labor and capital to a given acre of land in the production of crops, the farmer may get increasing or stationary returns per unit for a while, but there will inevitably come a time, if he continues the application far enough, when he will get decreasing returns per unit. And what is more, the cultivation could be so intensive that the yield of the last unit of labor and capital would not pay for the cost of incorporating it in the farm system. It is this physical law of diminishing productivity that prevents the profitable expenditure of one million dollars in the production of an acre of carrots. It is this law that makes it utterly impossible for one thousand persons to live a year on the produce grown on one acre of land. It is this law that makes it nonsensical to say there is no limit to the profitable subdivision of farms. There is a limit to intensive culture—and it is the law of diminishing productivity that sets the limit. Hence it is possible for a population to encroach upon the food supply and thereby lower its standard of living.

Moreover, the people of the United States should look to the growth of population as a threatening force which may undermine the standard of living. For at present practically all the tillable land in the country has been introduced to the plow. And before the remaining unimproved land can be cultivated, huge sums of money will

be necessary to develop irrigation and drainage projects or for clearing purposes. Hence increased crop yields in the future will be subject to increasing expenses, unless offset by improved methods of agriculture. But it is unlikely that the one will offset the other.

Forests in the United States.—The increased wealth per capita in the United States is partly due to the original dense forests. At the time America was discovered, approximately one-half the area of the United States was covered with fairly good merchantable timber. Out of this area have been carved huge blocks of wood, until now there are only about 300,000,000 acres of marketable timber left standing.[1] This area represents about one third of the original forests—and the poorest third at that. While some of this land, once covered with forests, is more useful now as farm land, most of the land cleared of timber during recent years has had its utility actually decreased by the removal of trees. It is therefore safe to say that the wealth per capita due to appropriating timber from nature will henceforth be on the decline in the United States. We must look elsewhere, then, for increased wealth.

Mineral Resources of the United States.—Still another reason for increased wealth per capita in the United States is the squandering of mineral resources. That mineral deposits have contributed to the growth of wealth will be reflected in Table XVI.

[1] For a fuller treatment of Forests see Van Hise, *Conservation of Natural Resources in the United States.*

TABLE XVI[1]

PRODUCTION OF IMPORTANT MINERALS IN THE CONTINENTAL UNITED STATES

Year	*Coal in millions of long tons*	*Pig Iron in thousands of long tons*	*Copper in thousands of long tons*	*Phosphate rock in thousands of long tons*	*Petroleum in millions of gallons*	*Natural Gas in millions of dollars*
1850	6	564	0.7	....	....	..
1860	13	821	7	....	21	..
1870	29	1,665	13	....	221	..
1880	64	3,835	27	211	1,104	..
1890	141	9,203	116	510	1,925	19
1900	241	13,789	271	1,491	2,672	24
1910	448	27,304	482	2,655	8,801	71
1912	477	29,727	558	2,973	9,321	..

The probable future rate of consumption of each respective mineral listed in Table XVI has, also, been considered by experts in connection with past consumption and also with the available supply of each respective mineral in the United States. According to these students, our coal reserves will last over 1000 years,[2] our iron deposits over 200 years,[2] our copper fields over 100 years,[2] our phosphate rock deposits about 150 years,[3] our petroleum beds 60 years,[3] and our natural gas a score of years.[3]

These estimates clearly show that our wealth per capita coming from the exploitation of mineral

[1] King, *Wealth and Income of the People of the United States*, p. 34.

[2] Ely, Hess, Leith, Carver, *Foundations of National Prosperity*, pp. 193, 212, 228.

[3] King, *Wealth and Income of the People of the United States*, pp. 37, 38, 39.

resources will likely be on the decline in the future. They also show that the life of some of these minerals will be so short that the conservation of them is absolutely necessary.

Conclusion.—Now that the preceding data are given, it is possible to make several pertinent generalizations regarding the relation of population to production.

First.—The exploitation of natural resources has gone on perceptibly, until to-day Americans are endowed with fewer natural gifts than their forefathers. Some of these natural resources, like forests, fish, and soils may be wholly or partly restored to their original state of usefulness. But a restoration of such resources will come only through the expenditure of human effort and money. And while the expenditure is taking place, some land, labor, and capital must be diverted from the production of consumption goods to the field of conservation. This process will at least temporarily cut down the number of consumption goods per capita.

Other natural resources, like iron, copper, phosphate, oil, gas, and coal are not restorable. Of course, some of these minerals are not entirely lost in the process of use after they have been mined. Stoves, for example, may be converted into other useful articles, so also may copper goods be changed in form and made to serve anew the mind of man. But there is always some loss in changing the form of goods and in the use of them. Then still other resources, like oil and gas, are gone forever once they have been consumed. To

be sure, there is a chance for substitution. Yet there is a limit to the substitution of one article for another. Electricity may partly take the place of coal; but by doing so, copper can hardly be dispensed with, and water may be diverted from farm lands to run machinery, as it is in Idaho at the present time. That the gain in the substitution of some articles is greater than the loss is, indeed, problematical. Hence, it may be said safely that Americans can hardly expect prudently to increase their wealth from the use of their natural resources as rapidly in the future as they have in the past. The standard of living of the American people will, therefore, be increasingly more difficult to maintain on the present level if the population grows as fast in the future as it has in the past.

Second.—There is, however, another possibility; namely, that of enlarging per capita wealth by the application of more skill and better productive instruments to industry. Education has partly made possible the production of more wealth now than formerly. To exemplify, Massachusetts gave her citizens, on an average, seven years of education, and Tennessee gave her citizens, on an average, three years of schooling. Massachusetts' citizens produced per capita $260 per year, and Tennessee's citizens produced per capita $170 per year.[1] While this greater wealth per capita is partly due to such factors as racial characteristics, it is also partly due to mind development. But

[1] Ellis, "*The Money Value of Education,*" Bulletin No. 22 of U. S. Bureau of Education (1917), p. 6.

even education has its limits. If the population of Massachusetts were as dense as that of India, it would be extremely doubtful whether Massachusetts could educate her citizens so well. She would have to produce more food and clothing and erect relatively fewer school buildings and train proportionately fewer teachers and put her boys and girls to work at a comparatively younger age. It takes time and money for education; and the material results of education are somewhat remote. Hence a densely populated country may be forced to spend practically all its time in producing commodities for immediate use in order that its people, like the people of China, may eke out a mere existence.

This line of reasoning would not hold good if man were the only productive agent. For, if he were the only factor of production, he could make something out of nothing; and the other two factors of production, namely, land and capital, would not need to be considered. However, it takes not only man but also nature and capital to produce goods. Since this is true, there is a limit to the use of education as a force in production. Hence, the population of the United States can hardly go on increasing at the past rate and expect education to keep up the present plane of living. It cannot be done.

Third.—It is probable that the standard of living of the United States could be raised by eliminating the present wastes in consumption. It has been shown that people overeat; that they fail to utilize their foods properly; and that they fre-

quently buy the wrong goods at the wrong price and at the wrong time. That there is need for greater efficiency in consumption is beyond question. Many of these wastes in consumption could be eliminated. If they were eradicated, more people could be maintained on the same plane of living, or the present population could be maintained on a higher plane of living.

Fourth.—If the population of the United States grows relatively faster than production and efficiency in consumption, the standard of living of this country will inevitably be lowered.

Fifth.—At present the United States produces "each year an income of some $332 per capita, or about $1500 per family."[1] This income is none too much for a decent standard of living. Hence, in view of the checks to further production, it would be decidedly advisable for the United States to limit its population. By so doing, the chance of raising or maintaining the standard of life would be better than if the population continues to grow at the past rate of increase.

Sixth.—One effective way to limit the population of the United States would be to shut off immigration indefinitely. A law could be framed to permit only scientists, artists, philanthropists, business men, and tourists to come to the United States for purposes of study, of observation, and the like. If other nations accorded citizens of the United States the same limited privileges, there ought to be no great obstacles in the way of such restrictions.

[1] King, *Wealth and Income of the People of the United States*, p. 248.

Seventh.—Another way to limit the population, and thereby improve the standard of living, would be to cut down the native birth rate by such constructive acts as the postponement of marriage until men and women are in their twenties.

Eighth.—That an advance in the standard of life is desirable and something at which every nation should aim can hardly be questioned. Fewer people living on a high plane may be more desirable—more useful—than a larger number of people living in poverty. Quality is quite as important as quantity. By limiting its population, the United States would benefit its citizens directly. What is more, if its lead were followed by other nations densely populated, society at large would gain tremendously. The world would be blessed with a higher plane of life—and possibly a step would be taken toward the elimination of wars.

Questions and Exercises

1. Why has the population of the United States increased only 14.9 per cent since 1910?
2. Why has the per capita wealth grown so rapidly in the United States since 1850?
3. The Swedish nobility has deteriorated in character because of the want of new blood. Biologically, would it, then, be advisable to limit the population of the United States?
4. Is it probable that the standard of living can be raised in America by a more efficient utilization of food products?
5. Name five consumption goods which make living more expensive but less efficient.
6. Why would it be impossible for the population of the United States to reach a billion? For data to answer question, see "The Agricultural Limits of Our Population" in the *Scientific Monthly,* June, 1921.

PART II

THE IMMEDIATE SOURCES OF CONSUMPTIVE GOODS AND THE PRESENT AND FUTURE MEANS OF ACQUIRING THEM

CHAPTER XIV

BUYING GOODS DIRECTLY FROM FARMERS

In this chapter and in the following chapters on buying, an attempt is made to define methods of buying and to point out some of the relative advantages of purchasing products through different channels. The advantages and the disadvantages are taken up from the standpoint of the consumer. A consideration is first given to peddling farm produce.

The Farmer in the Rôle of Peddler.—A peddler is an itinerant trader who goes about from house to house for the purpose of retailing goods. Peddling farmers were more common formerly than at present; but even now they can be found in the country, the towns, and the cities, during certain seasons of the year. In the fall and winter months some farmers fatten hogs, cows, steers, calves, and poultry; they kill and dress them; and then they peddle the meat products in near-by towns and cities. In the spring months other farmers raise early vegetables, which they dispose of by peddling to townsmen and countrymen alike. In the summer months still other farmers make a practice of peddling their ripe fruits throughout the country and town districts. Butter, cheese,

and eggs are also sold in this way. A few peddling farmers supply their customers regularly with farm products in this manner; whereas many farmers take advantage of this form of marketing only when they are unable to dispose of all their farm products to retailers or through the public market at what they think are satisfactory prices.

Advantages of Buying from Peddling Farmers.—Undoubtedly it is advantageous to the consumer in certain respects to buy from peddling farmers in preference to grocers. When he buys from the peddler, the consumer may personally inspect the goods before purchasing them—an opportunity not afforded the consumer when products are ordered from the grocer over the telephone. Then, too, products bought directly from the farmer are often fresher than similar products bought from the grocer. This is generally true because the grocer usually holds his goods longer than the peddling farmer before selling them. This advantage, however, can easily be overrated. The grocer, as a rule, takes pretty good care of his produce; and as a consequence it does not deteriorate in value as much as might be expected.

Another advantage of buying from the peddling farmer is that of price. Other things being equally favorable, it is thought that the peddler can, and in most cases does, sell the same grade of goods at a lower price than the grocer. On the one hand, the grocer has building, advertising, telephone, and various other expenses that the farmer is relieved of. On the other hand, the peddling farmer wastes time in attempting to sell

goods at houses where there are no sales completed; and, also, takes time from his regular productive operations while peddling. All things considered, however, investigations and observations would lead one to believe that the farmer sells products at lower prices than the grocerman.

Disadvantages of Buying from the Peddling Farmer.—While it may be generally true that the consumer can buy fresher fruits and vegetables from the farmer than he can from the grocerman, it does not necessarily follow that he can buy better animal products from the farmer than he can from the butcher or grocer. Indeed, because of his inability thoroughly to inspect, the opposite is more likely to be true—that is, he can generally buy better animal products from the butcher or grocer than he can from the farmer. In fact, consumers have been known to purchase very inferior animal products from peddling farmers. To illustrate, in 1916 an Oregon farmer killed a diseased hog and sold it to certain city consumers. Thereafter these same consumers were sick for two or three days. When meat products are not officially inspected before being offered for sale, it is extremely dangerous to buy them at all from farmers, or, for that matter, from local butchers.

Farm-made butter and cheese are hardly considered as good quality as factory butter and cheese. Nor are peddled eggs always up to the standard of the grocer's eggs. These facts should be considered by consumers when buying from peddlers.

A second disadvantage of buying from peddlers

is that, with few exceptions, the peddler does not furnish the consumer with as steady a supply of produce as the grocer. The peddling farmer is more affected by inclement weather than the merchant, hence the farmer is more likely to disappoint the housewife when it comes time to deliver the strawberries or a chicken than is the grocer or butcher. Unlike the merchant at the present time, the farmer does not have that valuable sense of promptness in business.

In making a choice of traders, therefore, the consumer should consider the quality and quantity of the goods, the price and the probable service each trader will render.

Buying through Parcel Post and Express.—It is thought by some people that buying through parcel post and express entails too much work on the part of consumers, upsets their present customs and habits. City people, it is contended, are machinelike. They automatically pay their rents, order their groceries over the telephone, move to and from dinner like machines instead of like human beings. Other people maintain that the high cost of living forces city people to look and think carefully before they purchase their goods and services. That city people are, after all, human beings, is believed. Being human, urban people will, and do, obtain certain food products from farmers by express and parcel post. Certainly, since the establishment of low postal rates on packages in 1913, a considerable postal and express traffic between farmers and consumers has been built up in the United States.

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To make this trade profitable and enduring, however, it is necessary that an equitable distribution of the difference between the ordinary farm price and retail price of goods be made. The farmer must receive a price that will compensate him for extra work, containers and postage required for parcel post or express shipment. On the other hand, the consumer must receive either an article of the grade usually purchased at a lower price than the retail price, or a better product than the retailer furnishes him, or a small advantage in both price and grade. Otherwise it will not pay to trade by parcel post or express. It is believed that the consumer generally receives some such advantage.

Kinds of Goods Adapted to Parcel Post or Express.—Because of the economies effected through car-lot and train-load shipments, all goods are not adapted to parcel post and express. It is more or less impracticable to ship heavy products like potatoes by express or parcel post; but products like eggs, butter, poultry, certain fruits, and vegetables have been shipped in this way at a profit to the farmer and at a saving to the consumer. As a rule, the greater the value per pound the more favorable is the chance of profitable parcel post and express trading.

In order to promote parcel-post shipments, the United States Bureau of Markets has made a number of experiments in parcel-post shipping, and has issued instructions in bulletin form on how to handle farm products by parcel post.[1] Among

[1] See Farmers' Bulletin 688, 703, 922.

the articles about which parcel-post instructions have been issued are the following: poultry, butter, eggs, apples, berries, cantaloupes, cherries, currants, grapes, peaches, pears, plums, asparagus, beans, cabbage, cauliflower, celery, cucumbers, eggplant, corn, lettuce, onions, peas, peppers, spinach, kale, and tomatoes. It must be remembered, however, that all these products are not equally adapted to parcel-post trade. Apples are more adapted than berries to the parcel post; and eggs are more adapted than butter to the parcel post. In short, weather conditions, the texture of the product, the degree of ripeness, if it be fruit or vegetable, the distance between producer and consumer, will in a large measure determine what products should be given to the parcel post or express trade.

Finding Farmers from Whom to Buy.—There are several ways to establish contacts between consumers and farmers. When the consumer is taking a vacation in the country districts, he may discover a farmer who is desirous of selling products by express or parcel post, and forthwith make arrangements for trading in this manner. Some consumers have established contacts in this way. Again, the consumer may get a country friend or relative to find farmers who are willing to trade directly with city folk. Either of these methods is inexpensive and quite fruitful.

Consumers may also establish inexpensive contacts through postmasters. "The postmasters in 41 cities, under the direction of the Post Office Department, have instituted campaigns intended to

foster parcel-post marketing. The names and addresses of producers, together with the kinds of produce offered, are listed free for distribution to the patrons of the offices; and some of these postmasters issue for distribution to producers lists of names of consumers who wish to buy. Many producers and consumers have established business relations by this method."[1] Such campaigns have been instituted in these cities:

Athens, Ga.
Atlanta, Ga.
Austin, Texas
Baltimore, Md.
Birmingham, Ala.
Boston, Mass.
Brooklyn, N. Y.
Chicago, Ill.
Cincinnati, Ohio
Cleveland, Ohio
Dallas, Texas
Denver, Colo.
Detroit, Mich.
Galveston, Texas
Greenville, S. C.
Hartford, Conn.
Indianapolis, Ind.
Jacksonville, Fla.
Kansas City, Mo.
La Crosse, Wis.
Lawrence, Mass.
Lincoln, Nebr.
Los Angeles, Cal.
Louisville, Ky.
Lynn, Mass.
Memphis, Tenn.
Minneapolis, Minn.
Nashville, Tenn.
New Orleans, La.
Philadelphia, Pa.
Pittsburg, Pa.
Portland, Ore.
Providence, R. I.
Raleigh, N. C.
Richmond, Va.
Rock Island, Ill.
San Francisco, Cal.
Seattle, Wash.
St. Paul, Minn.
St. Louis, Mo.
Washington, D. C.

A fourth device is that of advertising. Consumers sometimes establish trade connections with farmers by inserting advertisements in papers

[1] Farmers' Bulletin 922, p. 7.

which circulate in country districts. A sample advertisement follows:

> A Baltimore family of six wants a gardener or truck farmer to supply it regularly with fresh assorted vegetables by parcel post once a week throughout the year. For particulars address ———[1]

Advertising, however, is rather costly. And if this method be adopted, the consumer should check results with the cost of advertising from time to time to see if the gain is worth the outlay.

Business Arrangements for Parcel Post or Express Trading.—To succeed in parcel post or express trading, it is necessary for both consumer and producer to attend strictly to business, be absolutely honest, prompt in looking after correspondence and orders, and quick to adjust complaints. A contract is needed, and it should cover such phases as character of the produce to be shipped, time of delivery, prices, and remittances.

Taking the problem of price first—Who shall determine it? The farmer or the consumer? On what basis shall the price be determined? The local country price or the wholesale city price?

In some cases where the consumer is assured that the farmer is businesslike and fair-minded, he allows the farmer to set the price after the order is received. This price, however, is made subject to the approval of the consumer. If it is found unsatisfactory, he merely stops trading with the farmer. In other cases, the farmer permits the consumer with whom he is trading to set the price.

[1] Farmers' Bulletin 922, p. 8.

But here again the price is subject to approval; namely, the approval of the farmer. Of the two methods the first one seems to be more common and more conducive to satisfactory results.

The basis for determining the price is usually the local country price. Using this price as the groundwork, the farmer can readily ascertain how much to add to it to cover the cost of container, postage, and extra labor involved in marketing his produce direct. Ordinarily, the price for each shipment should be set when it is made. This price is much better for the producer and the consumer than a yearly price which is generally the average of all the prices of produce obtaining throughout the year. Of course if the consumer received produce regularly from the producer, the yearly price may be preferable. But the fact is that the consumer, either because of irregular shipments on the part of the producer or because of vacations taken on the part of the consumer, does not always receive produce regularly from the producer. Now, during the intervals in which the consumer receives no produce, the prices of such produce during these periods ought not to be taken into account at all. But they usually are considered in making up the yearly price. It is because of this fact that the price for each shipment should be set when it is made.

Remittances also present a problem. The farmer generally prefers cash trading; the city consumer, credit trading. If the consumer presents reliable recommendations to the farmer, however, the farmer will lose little, if anything, by

extending credit to the city consumer. Likely the most economical method is for the city consumer to remit weekly or monthly to the farmer. Whatever plan is followed, it should be thoroughly understood and agreed on by both parties.

Buying through Municipal Markets.—City consumers also buy articles directly from farmers through municipal markets. A municipal market is a place set apart by the city for the purpose of marketing food products under city supervision. Municipal markets may be open, or inclosed, or open and inclosed. The open market is usually an open place along the street curb where farmers display their articles for sale. The inclosed market is housed in a market building, generally one-story high and constructed of brick. The open and inclosed market is usually found under sheds attached to market buildings or separate from them or out in the open. In some of these markets, the farmer merely sells to consumers. In other markets, farmers sell directly to wholesalers, jobbers, retailers, and consumers. And in still other markets middlemen as well as farmers offer goods for sale. As to supervision, in some markets a city official and numerous assistants carefully supervise affairs; while in other markets very little supervision is found—only the attention of a passing policeman is given the market.

Origin and Importance of Municipal Markets in the United States.—The open market dates back as far as 1745. The South Street Market of Philadelphia seems to have been one of the first

established.[1] This market was followed by Center, Hanover, and Fells Point markets in 1773, 1784, and 1785, respectively.[1] Among the first inclosed markets are Faneuil Hall Market, Boston, the South Second Street Market, and the North Second Street Market of Philadelphia. These markets were respectively established in 1742, 1745, and 1785.[1] That buying articles through public markets is of considerable significance may be shown from different angles. In the United States there were in cities having a population of over 30,000, 180 open municipal markets;[2] and 96 inclosed markets in 1918.[3] The costs of erecting these markets vary materially. Perhaps the West Side Market in Cleveland is among the most expensive in the United States. The site, building, and equipment of this pretentious market cost over $900,000.[4] Meats, dairy products, groceries, fish, and baked goods are sold in the building; while fruits and vegetables are sold in open sheds on one side and in the rear of the building.

In these 96 inclosed markets there were 7512 stands in 1918. About one third of the stands were used for the sale of fruits and vegetables, and another third for meats and poultry.[5] City ordinances specify, however, what products may

[1] "Municipal Markets in Cities Having a Population of over 30,000," by the Department of Commerce, pp. 15–18.
[2] *Ibid.*, p. 15.
[3] *Ibid.*, p. 18.
[4] *Ibid.*, p. 19.
[5] *Ibid.*, p. 21.

or may not be sold; and who may or may not sell products through the public markets.[1]

Making the Most of Public Markets.—To make the most of public markets, consumers should do their buying early in the day. Quite so, because then the farmer can dispose of his produce quickly; return to his farm early in the day and thereby increase production. Increased production lowers prices, as a rule, and consumers are therefore benefited. If the consumer, moreover, purchases his products relatively early in the morning, he is more likely to get fresher products than if he were to purchase them late in the day. Vegetables and fruits, exposed to the sun, particularly deteriorate in value. Again early-morning and afternoon buying may reduce the number of hours the market need be kept open; and, as a result, may effect economies. For the good of consumer and farmer alike, produce should be purchased early in the day at public markets.

The Merits of Public Markets.—Some of the merits mentioned for the public market, in which farmers and consumers deal directly, are these: (1) higher prices for farmers, (2) lower prices for consumers, (3) fresher goods for consumers, (4) a greater adaptation of local farming to city needs.

It is asserted by enthusiasts that the municipal market provides a means by which the farmer may eliminate some middlemen, and that the elimination of these middlemen enables the farmer to take over their functions at a profit to himself and at a

[1] See General Tables in "Municipal Markets in Cities Having a Population of over 30,000."

saving to the consumer. Undoubtedly, the farmer thus places himself in a position to obtain a large portion of whatever profit the retailer makes through selling farm products to consumers. In some instances, the profits may be great; in other instances, small; and in still other instances, the apparent profit may be a genuine loss. It is also true that in such direct trading there is a tendency toward lower prices for consumers. To procure the consumer's trade the farmer often offers his products at a lower price than the retailer displays his products at. This competition, at times, stimulates the retailer to slash prices. The outcome of the struggle may consistently be, not only lower prices in the public market, but lower prices in the retail shops as well.

That the consumer usually gets goods more freshly gathered from the public market than from the retailer is generally a truism. But products "more freshly gathered" does not necessarily mean goods of high quality. While in some municipal markets there are refrigerator plants that keep farm products in excellent condition until they are sold, in most public markets there are no such plants; and, as a consequence, farm products in these markets depreciate rapidly in value when they are kept a long time before they are sold. Other things being equally favorable, however, the consumer should procure a fresher and better farm product through the public market than through the grocer. True, because many goods the retailer sells frequently pass through the hands of the farmer, the country buyer, the

commission man or broker, the wholesaler, and retailer before they reach the consumer; whereas the goods the farmer sells in the public market pass only through his own hands to the consumer. Time is here the significant factor. By purchasing his products early in the day from the public market, the consumer, therefore, ought to procure relatively fresher and better goods than he could from retailers.

As to the adaptation of local farming to city needs, it is believed that farmers who sell their products in municipal markets are more likely to know, and to produce, what city people want than other agriculturists. There seems to be considerable truth in this statement. Where farmers continually deal with city folk they are sure to learn the likes and dislikes of city customers. Knowing the desires of their city cousins, farmers are more likely to produce according to city wants. Such production is economical, for few goods are wasted because of the lack of demand. Such adaptation in farming is beneficial to consumers and producers alike, for the one gains in getting what he wants, and the other gains in selling what he has for sale.

Limitations of the Municipal Market.—Beneficial as the public market seems to be, it nevertheless has certain limitations. (1) All farmers cannot afford the time to sell their products through the public market. (2) All consumers have not the necessary time to visit the public market. (3) The distance between farms and cities is so great that on an average it is impracticable for most farmers

to haul their goods to the market. (4) The superior service of retailers in the form of telephone, delivery system, and credit makes the retail trade more attractive to some consumers than the public market.

Farmers, like most other breadwinners, are busy people. Most of their time is needed on the farm in the summer. By selling their products, hauled to the city, to retailers, jobbers and wholesalers, the farmers get back to the farm quicker than they can when they sell their products through the public market. Most farmers take advantage, therefore, of the retailer, jobber, and wholesaler for the sheer purpose of getting back to farm work early in the day.

Many consumers are either so busy with household duties or social affairs that they cannot take advantage of the public market. Other consumers live so far away from public markets that the gain derived through buying goods through the public market is more than offset by the loss entailed in street-car fare and other expenses. To these classes of consumers the use of the present municipal market is out of the question.

What is more, not all farm products are grown near cities. Citrus fruits, for examples, have their particular districts. To haul California citrus fruits by automobile from California to Cambridge, Massachusetts, to be sold in the public market of that city is to violate all the simple rules of economy. Only a fool would do that. For most farm products, the cost of the haul from farms to public markets is exorbitant. It is believed that

95 per cent or more of the farmers of the country live too far away from public markets economically to use them.[1]

Finally, the credit system, the telephone, the delivery system, and the regularity of retailers seem to be so attractive to certain consumers that it is doubtful whether the public market can effectively make its appeal to them.

When all limitiations are considered, however, it is safe to state that the public market does meet a real need of some people. The wealthier consumers who leave their household duties and children in the care of maids, and the poorer people who live in close proximity to public markets patronize them. To these classes of consumers, the public market is of considerable value, and will likely continue to be so. Moreover, the problem of distance is partly being solved by good roads and by the truck. These modern devices will make the public market available to many more farmers as time comes and goes.

In conclusion, it may be said that the municipal market, like the peddler and parcel post, simply supplements the middleman system as horses supplement automobiles. To some people the public market is relatively significant; and to other people it is relatively insignificant.

Questions and Exercises

1. Does your state law regulate the character of goods peddling farmers offer for sale? If so, how?
2. Is it fair to city retailers and middleman peddlers to

[1] Weld, *The Marketing of Farm Products*, p. 393.

permit peddling farmers to peddle farm produce in the city without a license? Why?

3. What was the approximate value of the farm products purchased through the parcel post in your city last fall?

4. What is the biggest problem of the consumer in buying through the parcel post?

5. Look up the causes for starting some public market in your state.

6. What are the relative advantages of the inclosed municipal market over the open municipal market? See pp. 15–21 of "Municipal Markets in Cities Having a Population of over 30,000."

7. Under what conditions, if any, is it beneficial for a city to furnish public-market facilities free of charge to farmers to sell their products to consumers?

8. Make a list of the titles of municipal-market directors and tell why the titles vary. See "Municipal Markets in Cities Having a Population of over 30,000."

9. What class or classes of people in the city usually oppose public markets, and what is the reason for their opposition?

10. To what classes of consumers is the public market valuable and why?

11. Would it be practicable to distribute public markets about the city as grocery stores are now found?

CHAPTER XV

BUYING GOODS FROM MIDDLEMEN

In this chapter the following buying sources will be discussed: the middleman peddler, the manufacturer, the unit store, the chain store, and the mail order house.

Middleman Peddlers.—There are three types of middleman peddlers plying their trade in large cities: the basket man, the push-cart man, and the wagon huckster. These peddlers are mostly foreigners who make their living by shrewd buying and selling. They deal primarily in fruits and vegetables—although in some cities push-cart men handle practically every necessity that can be put into the push-cart. Some of these peddlers have regular established routes along certain alleys; others ply their trade over widely scattered districts, going about wherever they feel trade will be remunerative.

These traders are very important factors in relieving a glutted fruit or vegetable market. They go about from house to house displaying fruits and vegetables and thereby creating an additional demand, partly because of this display, and partly because of relatively low prices. True, these peddlers do not undersell the grocers by a cent more

than is necessary to dispose of their goods; but because of their proportionately low costs, and their keen competition it is believed that they do undersell grocers somewhat. Their low operating costs are due to the absence of expenses connected with buildings, equipment, and the like that grocers must meet. Their keen competition is kept up, because of the small capital necessary to enter the business. The basket peddler's whole stock of trade, for instance, rarely exceeds $10. Men can, therefore, become peddlers readily; and as readily cease to be peddlers.

That these traders are beneficial to some classes of consumers seems to be true, if one is willing to accept a portion of the report of the Chicago Municipal Markets Commission. The part referring to this point follows:

> Peddlers, hucksters and push-cart men are an economic necessity and tend greatly to reduce the high cost of living to the people living in certain sections of the city. Vending of food supplies by these classes should be considered an established and legitimate business; and inasmuch as these classes are able to sell food products to the consumers at greatly reduced prices over the prices prevailing at the retail store, due to the low operating costs of the former, such business as conducted by peddlers, hucksters, and push-cart men should be encouraged by the municipal authorities. It has been found that the quality of the food and merchandise sold from push carts in New York City is in the main of as good quality as can be bought anywhere else in the city, and much cheaper. Your Commission believes that a decided service will be rendered to certain classes of our citizenship by peddlers, hucksters, and push-cart men and that their business should be subjected only to certain necessary sanitary and police regulations and such rules as may be required to prevent undue congestion of vehicle traffic in our streets.

Buying Directly from Manufacturers.—Some manufacturers have gone over the head of retailers to sell their wares. Particularly, when a new product comes on the market do manufacturers go directly to consumers. Aluminum ware, washing machines, clothing, books, and automobiles illustrate the types of goods that have been sold to consumers by manufacturers. The general method employed by manufacturers is to send out a multitude of agents over the country to drum up consumers' trade and then supply it. Again, certain factories, like creameries, have sold directly to patrons. But, perhaps, these sales are largely due to the desire to create a more friendly feeling on the part of the patron toward the factory.

Does it pay the consumer to buy directly from the manufacturer? An answer to this question depends on certain considerations. It may be more expensive to sell goods through the agent system than the regular retail trade because of the loss of time canvassing from house to house, and later delivering orders.[1]

But on the other hand, manufacturers may be glad to sell their products at relatively low prices in order to create a market. Which tendency will outweigh the other may hinge upon the character of the product being sold, and the person selling it. The consumer, however, should be critical in purchasing such goods. He should consider the probable losses incurred from substituting cheap

[1] Canvassing is generally more expensive than peddling because the one usually necessitates two trips to each customer while the other requires but one.

enamel ware and tin for aluminum, in displacing the buggy and horse with automobile, and buying books from agents when equally as valuable books —and in some cases more valuable books—can be had through the public library. It is believed by some experts that when quality is considered, buying directly from agents of manufacturers is generally an expensive method for the consumer. But the only definite answer that can be given this question is that which relates to buying such products as butter and cheese from manufacturers. In most instances, consumers get these goods at a lower price from factories than from retailers. And the reason for this usually lies in the "patron-selling" relationship to the factory.

Buying from the Unit Store.—The unit store is patronized more extensively by consumers of groceries, hardware, men's clothing and furnishings, jewelry, cigars, tobacco, and drugs than is any other type of store. It is generally defined as a store that is owned and managed by an independent unit. It is without an elaborate department organization, and depends largely upon personal salesmanship to sell its goods.

To the consumer the unit store has distinct advantages. It is practically the only regular means of supplying the needs of the majority of the consumers in the United States. It is especially well adapted to the service requirements of patrons. Let us take the corner grocery as an example. If the housewife wants a package of cereals or a dozen of eggs early in the morning or rather late in the evening, ordinarily she has only a short

distance to go for them. If she wants to inspect some vegetables or fruits before making a purchase, she has only to go a short distance to accomplish her purpose. If she wants a special brand of goods, she only has to telephone the grocer and he will do his very best to get them for her. At any time of the day, she may order supplies for the household by telephone, and these will be delivered at regular intervals—and in some cases irregular intervals. Besides, patron and merchant are generally so well acquainted that the grocer usually knows to whom to grant credit and to whom not to grant credit. To the reliable consumer the extension of credit is extremely valuable in the purchase of groceries at odd times. It is partly these conveniences that make the unit store so valuable to the consumer.

There are, however, certain handicaps to the unit store. Ordinarily, it cannot buy in as large lots as the chain store or the department store or the mail-order house. Ordinarily, it cannot advertise so adequately and effectively as these competitors. And, with notable exceptions, it is not operated so efficiently as these competitors. As a consequence, it may not be able to sell goods so cheaply as the chain store, the department store, and the mail-order house. Yet there are definite features and possibilities of the unit store which may partly, if not wholly, offset these handicaps. The unit store usually has more community loyalty back of it than any other type of store. Quite frequently a unit proprietor builds up a strong loyal clientele. The unit store, as a rule,

has greater personal supervision than any other type of store. What is more, by combining with other unit stores into buying syndicates and trade associations, the unit may reap some of the advantages of large-scale buying and distribution.

Buying from Department Stores.—"The department store is an aggregation of departments, each one, up to a certain extent, a little store within itself."[1] The number of departments varies with the store, ranging from 20 to 250. The aim of such a store is to carry a diversified stock of goods so that customers may secure everything they ask for. In many of the large department stores one finds besides textiles, groceries; besides furniture, jewelry, and hardware. These goods are considered "shopping" articles, carried purposely for those consumers who enjoy shopping.

In trading with department stores consumers find certain advantages. In the first place, the department store can judiciously extend credit because of its scientific credit and collection department. To consumers who are temporarily out of work, ill, or suffering because of some other accidental cause, this service is advantageous when it is possible to obtain it. Moreover, credit means economy to every consumer who can wisely use it. For when the consumer pays cash for each purchase, it entails more work and time than when he merely writes out one check to cover his monthly bills. In the second place, consumers dealing with department stores have the service

[1] Duncan, *Marketing, Its Problems and Methods*, p. 342.

of an excellent delivery system which chain stores rarely possess.

A third advantage is tied up with the large assortment of goods which consumers are offered by department stores. Other things being equally favorable, the larger the stock of goods from which to choose, the greater the likelihood of choosing the more desirable goods. Consumers appreciate this service wherever they find it. The fourth advantage of the department store is that it offers personal inspection of goods. Here consumers may personally examine articles under the most favorable circumstances. Space and light exist in abundance. Hence consumers are likely to choose the goods most suited to their needs.

Finally, consumers obtain other services, only indirectly connected with department store shopping, that are wanting in other stores. To illustrate by examples, if a shopper becomes fatigued, he may regain his strength by the use of available rest rooms in the department store. If a shopper becomes hungry in his leisurely shopping tour, he may replenish his stomach with "dainties" from the department store café. If the shopper discovers that he must immediately write a letter, the department store furnishes him with writing materials, and a postal station from which he may buy stamps, and in which he may post his letter. If the shopper wants to telephone, the department store supplies the telephone booth. If the shopper desires entertainment, the department store provides him with musicals, movies, and the drama. If the shopper has children who

need recreation, the department store supplies it—and often gratuitously.

Whether consumers can buy goods cheaper at department stores than at other stores is, however, problematical. While the department store claims for itself distinct advantages in its specific stock plan, in buying, in banking, in speed of turnover of its goods, in advertising and the like, its "cost-to-sell" is, nevertheless, relatively high. Professor P. W. Ivey says, "The cost-to-sell of department stores is usually from 2 to 10 per cent higher than other types of stores."[1] But even if department stores were to charge higher prices—due to this cost-to-sell feature—than other stores, no doubt certain consumers would find it advantageous to trade in department stores, because of the foregoing services.

Buying from the Chain Store.—"The chain store as a retail establishment is closely related to the department store in organization. If the 'little store within a store' is taken out and put into another section of the city or another city there is the beginning of a chain. Essentially the chain store is a department store split up into units. It is to be understood, however, that this applies only to organization."[2] There are jobbers' chains, manufacturers' chains, and retail chains. Some retail chains are organized as corporations, designed to create, acquire or even combine retail stores. Others are organized as joint-stock companies composed of retailers who have

[1] Ivey, *The Principles of Marketing*, p. 67.
[2] Duncan, *Marketing, Its Problems and Methods*, pp. 384–394.

transferred their individual stores for stock in the main companies.

The basis of trade of the retail chain is convenience and emergency goods. Chains deal in different types of these goods. One chain may carry groceries, another notions, and still another shoes or what not. These chains vary in extent. For example, one line dealing in groceries has 3000 stores; while another line carrying notions; namely, a five-and-ten-cent type, now have 781 stores.

In trading with some chain stores, consumers notice two distinct features: (1) the cash plan, (2) the carry system.[1] These features are, of course disadvantageous to certain classes of consumers, as has already been indirectly pointed out in the discussion of the department store. But the same features are advantageous to the chains in that they cut down selling expenses. This policy of making no deliveries saves the chain "from 2 to 5 per cent on sales";[2] while the policy of extending little or no credit eliminates the possibility of loss through bad debts. These lower selling expenses, it is believed by some persons, enable retail chains to sell goods at rather low prices. If so, herein lies a significant advantage to the poorer classes of consumers, that they can hardly afford to overlook. For these classes with small incomes, low prices may outweigh extra

[1] In certain cities like New York, however, some chain stores extend credit for short periods of time; and also deliver goods. Moreover, these chains are patronized indiscriminately by all classes of consumers.

[2] Ivey, *The Principles of Marketing*, p. 79.

service. Coupled with this so-called distinct advantage of low price is, of course, the gain in personally inspecting goods which consumers have alike in the chain, department, and independent stores, and do not have in the case of a mail-order business. Like the department store, then, the chain has its special customers to whom it appeals.

Buying from Mail-order Houses.—The mail-order house is a retail system which establishes trade contacts by catalogues instead of by salesmen. In its catalogues it offers the consumer standardized goods. These goods are usually listed at cash prices. Sales are made through the mail. The consumer usually pays the transportation charges if he permanently accepts the goods. If he is dissatisfied with his purchases, he may return them at the expense of the mail-order house. This guarantee is iron clad.

The mail-order house is the outgrowth of conditions and developments following on the heels of the Civil War. Since that date a network of railroads has covered the United States. Advertising has extended by leaps and bounds. The remarkable developments in photography, lithography, typography, and the production of print paper have made advertising an effective hook in catching consumers' trade. Small towns have grown up; and, while growing, townsmen and countrymen have fallen apart. The chasm of antagonism between the farmer and townsman has widened until the farmer often deals with mail-order houses out of sheer spite for his town cousin. Perhaps one is equally as much to blame as the

other for this unwholesome state of affairs. Both have been too busy building a nation without critically examining its structure.

Whether for good or bad, however, the fact still remains that the mail-order house is to-day a strong competitor of the town merchant. A survey made of economic and social conditions indicates that in one Iowa township 30 per cent of the people bought their goods almost exclusively from mail-order houses; and that another 30 per cent purchased part of their goods from the same source.[1] For April, 1921, it is reported, that the sales of Sears, Roebuck and Company amounted to $16,375,290; and that the sales of Montgomery Ward totaled up to $6,464,073.[2]

All things considered, however, mail-order houses undoubtedly render definite service to consumers, and especially to those living in the open country and small town. Because of their size, mail-order houses are able to offer consumers a greater variety of goods than town merchants. This large assortment of goods, artistically pictured in catalogues, enables consumers to purchase articles adapted to their needs. Mail-order houses, also, picture some goods that are different from those found on display in the average country store. This "different-goods idea" appeals strongly to consumers desiring to distinguish themselves from their fellows. For what sets one average person off from another person more than different suits, shoes, hats, and the like?

[1] Ivey, *The Principles of Marketing*, p. 89.
[2] *Business Conditions*, June, 1921, p. 60.

A third service rendered consumers by the mail-order house is found in its method of creating definite values. In catalogues accurate descriptions are given articles pictured for sale so that consumers definitely know the qualities and uses of goods. For illustration the reader may take this mail-order house description of a parasol-umbrella:

FOR RAIN OR SHINE

The finest quality and most beautiful umbrella we have ever sold. Made of exquisite silk warp taffeta in beautiful fast colors with eight-rib strong steel frame. Each rib fitted with extra large imitation ivory tip. End of rod has the white tip also. The handle is most attractive; made of white bakelite, with large stylish ring to match. These parasol-umbrellas are immensely popular in all the style centers and this is a special value. Spread of umbrella about 36 inches. Colors: Navy blue, green or black.[1]

Customers appreciate such descriptions especially after a country salesman has described an umbrella in magnificent generalities, such as, "the best seller," "fine umbrella" and "well-made," which means absolutely nothing to intelligent minds.

The fourth advantage in trading with mail-order houses lies in their guarantee. People buy goods with a view of being satisfied; and if they are dissatisfied with their purchases, they enjoy exchanging them for other goods or receiving a refund of money. That the mail-order house pleases patrons in this respect may be, at least, partly shown

[1] Sears, Roebuck and Company Catalogue No. 140, p. 140.

by quoting and discussing the following guarantee:

> We (Sears, Roebuck and Company, Seattle, Washington) guarantee that each and every article in this catalogue is exactly as described and illustrated.
>
> We guarantee that any article purchased from us will satisfy you perfectly; that it will give the service you have a right to expect; that it represents full value for the price you pay.
>
> If for any reason whatever you are dissatisfied with any article purchased from us, we expect you to return it to us at our expense.
>
> We will then exchange it for exactly what you want, or will return your money, including any transportation charges you have paid.[1]

This guarantee has been tested time and time again only to be found pregnant with meaning. It definitely outlines conditions under which goods may be returned; and it means precisely what it says. It therefore satisfies partly, if not wholly, the most skeptical "Doubting Thomas."

The splendid treatment accorded consumers by mail-order houses represents a fifth service. These distant retailers inject cheerfulness, tact, and enthusiasm into all their correspondence. Their letters begin courteously, proceed courteously, and end courteously. And they are thankfulness personified. This treatment is the direct antithesis of the unsympathetic, gruff, unthankful treatment given customers in some country town stores. Of course the wording of a letter from a mail-order house draws business; but, in drawing trade, it partially satisfies the want for kind, sympathetic human treatment that most human be-

[1] Sears, Roebuck and Company, Catalogue No. 140, back cover.

ings crave. This human treatment is the sunshine that brightens life; while the inhuman treatment is the frost that darkens it.

As serviceable as the mail-order houses are, however, they are not without their limitations. In the first place, it usually takes a longer time for consumers to procure goods from mail-order houses than from local retailers. The significance of this time element may be shown by the following story. One day a customer stepped into a local hardware store to make some purchases. While trading, he noticed a meat saw hanging on the store wall. "I'd buy that saw from you if I could get it as cheap as Sears, Roebuck sells it," said the customer to the clerk who happened to be the manager.

"All right," replied the manager, "I'll sell you that saw on exactly the same terms as Sears, Roebuck."

"I'll take it then," said the customer; and he handed the manager sufficient money to cover the catalogue price.

"Let's see now," pondered the manager, "it would cost two cents to send a letter to order the saw from Sears, Roebuck, and it would cost something to express it to you. Pay me these sums." The customer promptly paid him the additional money to cover these two expenses. Then the manager stepped back from the counter and hung the saw in its place on the wall.

"What," cried the customer, "aren't you going to give me the saw, now that I have paid for it?"

"Yes," replied the manager, "call around in

two weeks and get it. It would take you two weeks to get it from Sears, Roebuck."

In the second place, mail-order houses cannot give the direct personal service to consumers that some few local retailers now accord. The retail service is the result of recent intensive training in cheerfulness, tact, promptness, honesty, and specialization in merchandising on the part of some salespeople. And as time comes and goes, this personal service should more effectively offset that efficient impersonal service of mail-order houses.

A third limitation to the mail-order business pertains to credit. The very nature of the mail-order trade is such that the house can never hope to extend credit like local retailers. To many consumers, however, an extension of credit is practically necessary, and certainly economical.

There is a fourth disadvantage to trading with mail-order houses. Consumers cannot physically inspect goods before making purchases. No matter how accurately articles are described in the catalogue, these descriptions can hardly take the place of a physical examination of goods made by intelligent purchasers. Then, too, some local retail establishments are following the lead of mail-order houses in issuing catalogues. By so doing, the local retailers enable the consumer to obtain the service of the catalogue along with the advantage of the physical examination of goods.

Finally, it is thought by some that consumers lose eventually by trading out of town. Some critics say that the mail-order house takes money out of town, and therefore weakens the community.

This argument, however, is fallacious. The circulating medium is not depleted through the mail-order business, because purchases are made by means of credit instruments "which are satisfied ultimately by offsetting debts between districts." Besides, if money were paid for purchases, would it be any worse for the consumer to buy goods from the outside than the merchant? Most merchants, as the reader knows, buy their goods from the outside. This being true, like the consumer, the merchant would send money out of town—i.e., if the other proposition were true.

As the writer sees this problem, the consumer loses only when he buys goods elsewhere at the same price that he could purchase the same goods in his own town. For, in this case, the profits made on the goods may be invested in the outside city; whereas, if the consumer trades at home, the profits may be invested in his home community. In the one case, the taxes on the profits help the outside city; in the other case, the taxes on the profits aid the home city. Herein lies a fundamental argument for home trade, if home prices are below or no higher than outside prices, provided other things are equally favorable.

Whether or not mail-order houses sell goods below retail prices is problematical. Some people claim they do; and others claim they do not. An idea of whether or not the mail-order house is in a position to undersell local retailers may be gleaned from the following quotation:

> Comparisons of the cost-to-sell of mail-order houses with stores carrying certain lines of goods are as follows: the mail

order cost-to-sell is about 5 per cent higher than the average grocery cost-to-sell; it is about the same as that of dry-goods, ladies' ready-to-wear, furniture, and shoe stores; it is 1 or 2 per cent higher than that of hardware stores; 4 per cent lower than for men's clothing shops; 5 per cent lower than for jewelry stores; and about 4 per cent lower than department stores.

Of course, the cost-to-sell varies with different mail-order houses, as it does with different stores. One mail-order official stated that it ranged from 16 to 25 per cent. Considering all the lines that it handles and what it would cost to sell them in stores, it is probable that the mail-order house has no lower cost-to-sell on the average than the stores. What it saves on rent (1 or 2 per cent) and salaries (about 4 per cent), and on other items, it spends in larger outlay for items like advertising. It would seem that the advantage of the mail-order house lies elsewhere than in its lower cost-to-sell. Most certainly is this the case when the mail-order house is compared with the country store, where the cost-to-sell is lower than the average.[1]

Questions and Exercises

1. Outline the chief sanitary sections of your city ordinances pertaining to the trade of basket-men, hucksters, and push-cart men.
2. What is the license push-cart men must pay in your city before plying their trade?
3. From the standpoint of the consumer, what are the chief weaknesses of the department store, the chain, the general store, and the mail-order house?
4. Is the trade of each type of retailer adapted to certain classes of consumers? If so, why? If not, why?
5. Would the consumer get greater satisfaction if he were to trade with one retail establishment, and only one? Why?

[1] Ivey, *Principles of Marketing*, pp. 106–107.

CHAPTER XVI

BUYING GOODS COÖPERATIVELY

In the United States, consumers have patronized a variety of coöperative organizations. A small group of farmers or city laborers have loosely banded together for the purpose of buying a car load, or more, of provisions. Temporarily, a local grange or farmers' union has been converted into a buying institution to satisfy the needs of its members for consumptive goods. In addition to marketing live stock, a few coöperative live-stock shipping associations have been used as a means of supplying members with staples. Some coöperative vegetable concerns have been employed: first, to market vegetables; second, to purchase articles for consumers. Besides manufacturing butter, a few coöperative creameries have supplied patrons with provisions. Fruit associations, in some cases, have bought goods for their members. Farmers' elevators have, at times, looked at once after marketing and storing and purchasing goods. Finally, stores have been acquired by consumers for the sole purpose of buying and distributing articles coöperatively.

Buying Clubs.—A coöperative buying club is a loosely organized group of consumers who aim to

buy a portion or all of their goods coöperatively. It may be used wholly for buying purposes; but more generally it has in view manufacturing, storing, marketing, productive or social objects as well. It is differentiated from a store in that the club takes orders for goods, fills them, and distributes the goods to its members; while a coöperative store invariably has a stock of goods on hand for sale at all times.

Coöperative buying by clubs in the United States dates back to 1844. At that time one, J. G. Kaulback, organized a coöperative club in Boston.[1] Later, namely, during the seventies of the last century, the Patrons of Husbandry,[2] and the Sovereigns of Industry,[3] bought goods extensively through clubs. In some cases the local grange or "council" bought articles outright from its members. In other cases, local granges pooled their orders for goods, purchased, and distributed them through a county or state purchasing agent.

A few of these early clubs developed into cooperative stores; but most of them failed because of a variety of reasons. In the first place, manufacturers furnished purchasing agents with confidential price lists; and in furnishing them, asked the agents to keep these prices confidential. Contrary to instructions, however, the price lists were rather freely passed around to competing manufacturers for the purpose of exacting more favorable terms. This practice resulted in a refusal

[1] Sonnichsen, *Consumer's Coöperation*, pp. 145–146.
[2] For a detail discussion see Buck, *The Granger Movement.*
[3] Sonnichsen, *Consumer's Coöperation*, p. 147.

to sell goods to agents. Retailers also took drastic measures to kill clubs. Manufacturers were appealed to, and bankers, in certain instances, were enlisted against clubs. The one group willingly refused to sell to granges; and the other group refused in some cases to extend credit to granges. Moreover, mismanagement of clubs was common. Many of the purchasing agents were either farmers who knew scarcely anything about business or commercial men who had failed in business before attempting to steer the grange club in its proper path. Then, too, the reaction in the seventies which followed the mushroom growth of the grange carried in its wake many of the buying clubs down to destruction.

Since these early attempts of clubbing together coöperatively, however, other clubs have sprung up here and yonder. Down in Florida, Mr. Gregorio Chavez, in 1914, started a number of clubs.[1] Some of these developed into regular coöperative stores; while others remain as regular clubs. But Minnesota, perhaps, offers the best recorded examples of the activities of clubs; i.e., of farmers' buying clubs.[2]

In 1914 and 1915, the University of Minnesota made a scientific survey of fifty such clubs. These organizations purchased mainly standardized products for their members. Among the commodities bought were flour, coffee, tea, meat, apples, dried fruit, cheese, breakfast foods, table salt,

[1] Sonnichsen, *Consumer's Coöperation*, p. 164.
[2] Bulletin 167 of the University of Minnesota Agricultural Experiment Station.

sugar, coal, and productive goods like machinery and feeds. For a period of eighteen months the total volume of business of fifty clubs was less than $100,000.

Purchases were sometimes made by the secretary or manager of the club, and sometimes by special committees consisting of club members. In the case of the committee procedure, a special committee was appointed for each individual purchase. Rarely did an officer or member receive remuneration for buying; and when he did it was small, amounting to 50 cents a ton for flour or feed, or a commission of from 3 to 5 per cent on goods bought in less than car-lots.

Commodities were bought from local merchants, mills, wholesalers, manufacturers, and the state prison. Where purchases were made from the outside, sometimes the goods were taken immediately from the car to the farmstead by the patron; sometimes they were stored in warehouses, creameries or "on track" until the patron could remove them to his farm. Seldom were demurrage or storage charges imposed on the consumer.

As regards paying for purchases made out of town, there were two methods in vogue. First, the club member in charge of the shipment advanced the money to the out-of-town firm sending the goods, and afterwards collected from the individual consumers interested. Second, the out-of-town firm sent its bill to the town bank, and this institution made settlement for the purchasers, collecting from either the individual purchasers or club officers in charge. But when purchases

were made directly from local firms, the merchant or miller collected from each individual patron of the club.

It is rather difficult to evaluate the relative services these and similar clubs render their members. Undoubtedly, a great deal of time is lost in buying more or less haphazardly like this. Unquestionably, some club purchases do not pay for the financial cost entailed in making them. And invariably, the ill will of local merchants is incurred when clubs buy commodities from the outside. This attitude on the part of merchants may easily be reflected in exorbitant prices consumers have to pay for the goods they must buy at home.

On the other hand, consumers are educated in pulling together by buying coöperatively like this. Also, they come to know the advantages in buying in large quantities. But when all expenses of time and labor are entered in the transaction, it may be an open question whether consumers as a whole really make much through club buying. Table XVII partially represents the case of the Minnesota farmers who bought in club-lots.[1]

If individual cases are taken by themselves, however, there can be little or no doubt that certain consumers have effected substantial savings by club buying.[2] Some elevators, warehouses, and produce associations that have expert managers succeed splendidly in buying supplies coöperative-

[1] Bulletin 167 of the University of Minnesota Agricultural Experiment Station, p. 32.

[2] For definite illustrations see Bulletin 167 of the University of Minnesota Agricultural Experiment Station, and Circular No. of the University of Nebraska Agricultural Experiment Station.

TABLE XVII

COÖPERATIVE BUYING BY FIFTY FARMERS' CLUBS IN MINNESOTA, FROM JANUARY, 1914, TO JULY, 1915

Commodity	*Number of Clubs Purchasing*	*Average Amt. Bought by Each Club*	*Average Saving as Estimated by Each Club*	*Average Saving as Estimated by Retail Dealers*
Feed	35	39.5 tons	$4.74 per ton	$3.66 per ton
Flour	18	25.5 tons	.90 per bbl.	.69 per bbl.
Twine	9	4,637 lbs.	.02 per lb.	.01 per lb.
Groceries	9	*	16 per cent	8.5 per cent
Wire	6	1 car	23 per cent	8 per cent
Oil and Gasoline	6	*	.04¼ per gal.	$ .05 per gal.
Machinery	6	*		
Salt	4	1.5 cars	.34½ per bbl.	.10½ per bbl.
Coal	4	2 cars	1.10 per ton	.75 per ton

* Cannot be stated in quantities: total value not ascertained.

ly. For example, the California Citrus Fruit Association purchases annually for its members millions of dollars worth of supplies.[1] As efficient a manager as Mr. G. H. Powell of the California Citrus Fruit Association would hardly continue to buy goods coöperatively for the growers if it did not pay. Profitable club buying, however, is dependent on a number of factors—favorable markets in which to purchase goods, large-quantity purchases, standardized goods and above all wise buyers. As all know, there are two kinds of purchasers: the wise and the otherwise. Only the wise should be intrusted with the important task of buying goods for clubmen. The next coöperative source of buying to be considered is the cooperative store.

[1] See Annual Reports of the California Citrus Fruit Association.

Differences between a Coöperative Store and a Corporate Store.—Before taking up a general discussion of the coöperative store, we may first differentiate it from a corporate store. In the first place, a coöperative store may be distinguished from a corporate store on the basis of voting. The former store, when it is purely coöperative, gives one vote to the member, irrespective of the number of shares of stock that individual may own. On the other hand, a corporate store permits voting according to the ownership of shares. In this type of store the more stocks the individual owns the greater is his voting strength. A second way to differentiate the two stores is on the bases of interest rate. In a coöperative store the interest rate on capital is limited to the current rate of interest or a fixed maximum rate.[1] In a corporate store there is no limit to the rate of interest that may be paid capital, except the amount of profits the concern can make. The third method of differentiation rests on the ownership of shares. In a coöperative association the number of shares an individual may own is fixed. The state law of Oregon, for instance, makes it prohibitory for any one coöperative member to own more than one fifth of the capital stock of his organization. But in a corporation there is no such limit to the amount of stock any one individual may own. He may control 95 per cent or more of it if he has the money with which to buy the shares. The most important

[1] This distinction is, of course, theoretical. In practice, variations to this rule are found here and there.

basis of distinction, however, is that of dividend distribution. In a coöperative store, dividends are divided according to the business transacted in or with the association. Hence the greater the purchases of the member, the greater would be his dividends. But this is not so in a corporate store. For in it, dividends are based, not on business transacted, but on capital stock owned. The purchases of an individual member have absolutely nothing to do with the method of dividing profits. Capital stock alone is the basis in distributing profits to members of a corporate store.

Origin and Development of Coöperative Stores in the United States.—Many coöperative store waves have swept over the United States. The first movement developed out of the activities of one J. G. Kaulback in 1844. His purchasing clubs (already noted) federated into the Workingmen's Protective Union, which later changed its name to the New England Protective Union. At its height this organization comprised over 400 divisions, had a membership of over 5000, possessed more than $225,000 working capital, and effected sales that ran considerably over $500,000 a year. Because of internal quarrels, however, this society split up. Out of it leaped the American Protective Union. Like its parent, this association made great temporary strides. By 1857 it operated 700 stores located in New England and in regions as far out as Illinois and Canada. But unfortunately this coöperative wave receded shortly before the Civil War. The downfall of the movement is attributed to a number of causes. In the first place,

these early stores were not conducted on Rochdale principles. Articles were sold to members as nearly at cost price as possible. This procedure of course turned out to be impracticable. In the second place, the central organization married such moral issues as prohibition. Every member was pledged not to touch alcoholic liquors. This requirement alone limited the membership. Finally many members enlisted in the contending armies that fought out the Civil War. This was the final "knock-out" blow for most of the stores.

The next movement followed on the heels of the Civil War. It spread from Maine to Texas and as far westward as the Rockies. It was initiated by the Patrons of Husbandry. Numerous stores were established by this order. While a few of them still survive, most of them were destroyed during the rapid decline of the Grange in the seventies.

A third movement was inspired by the Sovereigns of Industry, founded in 1874. This organization formed local groups known as councils. Each council engaged in coöperative buying. While about half of these councils never developed beyond buying clubs, the other half eventually opened up coöperative stores. Originally, each store was managed by a board of representatives, the representatives being chosen by the councils which organized the store. Capital, used as a financing fund, received 7 per cent interest and no more. Members only could trade with the store. A profit of 2½ per cent was made on sales. Half of this profit went into a sinking fund, and the

other half went into the councils' treasuries. The financial plan of organization, however, gave way later to the Rochdale system.

The Sovereign stores held sway from 1874 to 1880. During this period stores dotted the Atlantic seaboard from Maine to Maryland. The most notable store, perhaps, was the one located at Springfield, Massachusetts. In 1876, three thousand members belonged to it; and its sales amounted to some $135,000. Bad management, together with other causes, finally drove most of these stores to the wall. Few were left in 1880.

In the meantime, the Knights of Labor launched out afresh a campaign for coöperative stores. This labor organization opened up stores from the Atlantic to Kansas. But most of these stores, like the preceding ones, went, with their founders, to an early grave. During the nineties the coöperative-store movement seemed dead in the United States.

But with the beginning of the present century there was an awakening of coöperators. Cooperative stores grew up in California, Washington, Minnesota, the Dakotas, Illinois, Wisconsin, Pennsylvania, New York, New Jersey, Florida, and elsewhere. So that at the present time it is estimated that there are 3000 American Coöperative Societies.[1]

Just what the outcome of this movement will be is problematical. It is too close for us to judge scientifically. However, of all American movements it seems to have the best chance to succeed.

[1] Sonnichsen, *Consumer's Coöperation*, p. 167.

This is true, because the late war gave it an impetus; the American Federation of Labor supports it, the Wholesale Societies of California, Washington, Minnesota, Illinois, and Pennsylvania have united to aid it; and the Coöperative League of America, a propaganda organization, is fighting for it. But, best of all, most of the local stores are following the Rochdale plan, which has made European coöperation so successful.

Causes of Coöperative Failures.—If one compares consumers' coöperation at home and abroad, one is led to wonder why it has been so unsuccessful at home and so successful abroad. Here, most of the coöperative stores have failed; there, most of them have been successful. In England one third or more of the population belong to coöperative stores. Other European countries are also dotted with going concerns that are coöperative. France has 3724 stores with a membership of 1,313,997; Switzerland has 461 stores with 341,826 members; and Denmark has 1562 stores with 243,855 members.[1]

The reason assigned for American failures are many and varied. Authorities have said that Americans have been too individualistic to coöperate successfully in buying. Certainly it is true that Americans are more individualistic than foreigners; and this may partly account for our lack of success. It has been said by experts that some coöperative stores failed because of insufficient

[1] See the issues of the *International Review of Agricultural Economics*, Reports of the Bureau of Labor Statistics, Faber's book on *Danish Coöperation*, and Sonnichsen's *Consumer's Coöperation* for the present status of consumer's coöperation.

volume of business. To be sure, a coöperative store thrives or languishes according to its volume of business as an individual thrives or languishes according to the quantity of food he consumes and properly assimilates. The one can no more get along without trade than the other can get along without nourishment. And no doubt some stores have starved because of the want of business as some persons have starved because of the want of food.

Students of coöperation have given other reasons for failure.[1] Bad management is a potent one. Some stores have employed inefficient managers. For example, one manager of a coöperative store was known to let drummers talk him into buying out-of-date clothes. The result was bankruptcy, because customers refused to buy and to wear the clothes. For instance, another manager of a store failed to keep accounts for one year. He thought his head was as good as a set of books. The outcome was failure. Further to exemplify, one manager whose monthly trade amounted to $5000 employed two clerks and one team for delivery—and these seemed to be sufficient. But when the business merely doubled, the manager hired ten clerks and six delivery teams. His store soon failed, and it is believed that too much help was a contributing cause leading to its downfall.

Perhaps equally as suicidal as poor personal management is unsound business policy. Stores have granted credit injudiciously, and have later closed down partly because of this. Stores have

[1] See Bulletin 394 of the United States Bureau of Markets.

also tried to sell at cost instead of at retail prices. The outcome meant a slicing of prices—price wars. For private retailers have refused to remain in a state of inactivity when coöperative competitors displayed their goods at unreasonably low prices. Failures have at times accompanied these wars.

Disloyalty, too, has played its rôle in the downfall of coöperative stores. Private competitors have temporarily offered coöperators commodities at lower prices than their stores could possibly sell them at. "Sucker-like," these coöperators have swallowed the bait. The author even knows of two former members of a board of directors of a coöperative store who were hooked in this way. The result was twofold: first, an abandoned coöperative store; second, higher retail prices. No doubt many American coöperators have been made to pay for killing their own stores in this manner.

Finally, the lack of federation has been assigned as a cause of failure. It has been pointed out that small independent coöperative stores, competing with one another and with big private concerns, can hardly hope to succeed. This is, of course, a reason logically to be expected, and particularly in a land of big business as America.

One Plan for Coöperative Stores.—In setting down a plan for coöperative stores, the author would follow, with some additions, the famous Rochdale principles. Before ever a coöperative store is established, however, a survey of conditions should be made by a careful student of coöperation. A scientist rather than a coöperative optimist or a coöperative pessimist should make

this survey. For, figuratively speaking, "the optimist always looks for a pearl in the oyster; the pessimist, for ptomaine poison." Sometimes the pearl is there, sometimes ptomaine poison, but most frequently neither is there. That it is necessary to see the probable dangers of starting such a store, as well as the favorable conditions, none will deny. But these favorable and unfavorable conditions should be seen in unmagnified proportions. And it is believed that an unbiased scientist is more likely to see them in this light than any other.

Now, the survey should cover the volume of business that is obtainable. If there are already enough stores in the community being surveyed, and these stores are rendering satisfactory service, the coöperators should stay out of the community. On the other hand, if such is not the case, there is a favorable coöporative environment. The people, ready to coöperate, should then be questioned to see if religious, social, or political antagonisms will hamper the movement; and to see if they will fight for it—"go in for blood." Next, sources of obtaining capital should be looked into. Finally, the expert should cast about for an efficient manager. If such cannot be found, the store ought never to be established, because the success of a coöperative store hinges so much upon an efficient manager that he is unmistakably indispensable. If all these conditions seem reasonably satisfactory, and the state coöperative law is protective, then the coöperators are in a fairly safe position to organize.

In organizing, the regular Rochdale principles should be adhered to. Ordinarily, the members should provide the fixed capital, which should receive not more than the current rate of interest. The amount of capital stock any one member may purchase should be limited, say, to one fifth of the total stock. Voting by members, that is, "one vote to the member," should be provided for. There should be provision for reserve and educational funds to take care of emergencies and propaganda work. The profits, or more properly the savings, should be prorated on the basis of business transacted with or within the association. Goods should be sold at the regular retail price, and as a rule, for cash. Frequent audits should be made to show the status of the concern from time to time.[1] Then the store should join in a national federation of all stores for buying and protective purposes.

In addition, the author believes that every member should sign a long-term contract with the store, agreeing to buy all his supplies from the store which it handles. Preferably, the contract should cover five or more years. And in case a member violates the contract, provision should be made whereby he can be held for liquidating damages. These costs should be heavy enough so that in breaking a contract a member will lose decidedly more than by living up to it. Then the store should in turn sign a similar contract with the Federation or Wholesale agreeing to buy all its

[1] For business practice see Bulletin 381 of the United States Bureau of Markets.

supplies from the latter organization for five or more years. Such contracts would enable coöperative organizations to plan ahead wisely; and stabilize coöperative buying as such contracts have stabilized coöperative marketing.

Binding members thus to coöperative stores is not merely a dream; it is being tried out at the Oregon Agricultural College. In 1920, the fraternities, sororities, and clubs at the college felt that they could appreciably chop down the high cost of living by purchasing their supplies collectively. With this object in view, they formed, under the coöperative law, the Coöperative Managers' Association.

Each fraternity, sorority, and club signed a one-year contract, agreeing to buy what supplies it needed through the Coöperative Managers' Association, provided, of course the concern handled such goods. Each member organization also purchased $50 worth of stock in the Coöperative Managers' Association; and then advanced $50 per student member to it. These sums were used by the central organization as working capital. A full-time manager was employed; and he immediately set out to buy goods for the Coöperative Managers' Association. A coöperative grocery store was opened up in an old cannery building. It sold groceries both to townsmen and members, although on different terms.

Generally speaking, the adventure was a success. The store sold numerous goods to 39 clubs, sororities, and fraternities, having a membership of about 900 persons. Its volume of business ran

over $100,000. In addition, the manager entered into contracts for meats, wood, milk, and other articles which outside concerns delivered directly to the local organizations. This business amounted to nearly another $100,000. For the first year it is estimated that the Coöperative Managers' Association saved its members about $20,000. The period included the school year 1920-1921.[1]

In general, the fraternities, clubs, and sororities were well pleased with the experiment. Before the contract year had expired they entered into another contract with the Coöperative Managers' Association. This agreement covers one and one half years. At present (December, 1921) every club, fraternity, and sorority on the campus is in the central organization. All counted, there are 45 locals, with a membership of approximately 1000 students belonging to the central.

This year the students will receive a five-per-cent cash discount on purchases. Another five per cent of the sales will be thrown into a reserve fund which will ultimately be employed as working capital. Already the manager, upon the approval of the board of directors, has purchased a site for a store, which, it is hoped, will be erected in the near future. Last year each student member advanced $50 for working capital. But this year only $20 per student is required as an advance. This is partly the result of the favorable standing of the association with the bank.

The Coöperative Managers' Association is dis-

[1] These figures were given me by the manager, April 22, 1922.

tinctly a student enterprise. Its manager is a graduate of the college. While in school, he pursued general courses in marketing and coöperation. He has also had experience in buying for fraternities, sororities, and clubs in a small way heretofore. The Board of Directors are students, elected to their positions by the managers of the sororities, clubs, and fraternities. For advisory purposes, however, a member of the faculty meets with the board from time to time. He, too, is elected by the managers.

Taken as a whole, this is a rather interesting experiment—which is at present successful. And if it pans out successfully in the long run, perhaps other coöperative stores may try the contract plan. The author believes all members of coöperative stores should be bound by a long-time contract. He would add this feature to the Rochdale principles.

Advantages and Disadvantages of Coöperative Stores.—There are two outstanding advantages for the consumer who trades with coöperative stores. First, the consumer is more likely to purchase what he really needs through the coöperative store than he is through the private store. Harris points out this advantage rather effectively in these words:

> Too often I spend my money for that which does not help, but rather hurts me. It is not alone the money cost, but I am often in bondage to what I buy. My purchase may take my time and strength uselessly, or it may stare me in the face a perpetual reminder of my folly. Chosen perhaps on the spur of the moment, my purchase may cause a perpetual ill balance in my activities or expenditure of time. Or, on the other hand,

what I buy may yield abundant satisfaction and contribute to permanent welfare. We are prone to forget how far a purchase may react upon our lives. The very foundation of wise living is the wise selection of what we buy, and wise abstinence from buying when that will contribute more to life.

As though the task of choosing wisely that which will in the largest degree minister to our welfare were not already hard enough, there stands between us and the source of the services and commodities we require a distributer working in his own interest who blurs our vision or distorts the products so that we make wrong choices. There is no estimating our loss from this cause. Such false reporting on the part of those in a position to know is an unfortunate source of distraction and confusion.

In a system of distribution like the coöperative, conducted for the greatest good of the consumer, what is the attitude toward present high-pressure selling through advertising and persuasive salesmanship?

It is to the consumer's advantage that he make wise choices and meet his material needs at the lowest possible cost. To this end does he unite with his neighbors under coöperation. With this removal of the propelling motive which moves the machinery of distribution from the profit of the distributer to the needs of the consumer, all that which burdens and hinders the consumer is eliminated and only that is retained which actually serves him. Coöperation seeks to develop a system of distribution which will include the dissemination of such information and furnish the simplest, while most efficient, selling service to enable them to get the utmost value and satisfaction for their money to the extent not only of buying the right things, but also of refraining from buying the wrong things.[1]

Undoubtedly coöperation has a strong tendency in this direction.

Secondly, the consumer "eats his way into a home" by trading with the coöperative store; that is to say, he gets a greater proportion of the na-

[1] Harris, *Coöperation, the Hope of the Consumer*, pp. 106–107.

tional income than he obtains when buying from private concerns. True, because profits made in a private firm go into the hands of the proprietors. Whereas profits earned in a coöperative store go to patrons in proportion to their purchases. To the poorer classes this means much when the cooperative store is successful.

Over against these advantages, however, may be set certain limitations. In the first place, coöperative stores in the United States have generally failed. Hence the consumer may be in danger of losing part, if not all, of the money which is sunk in such an institution. Poor as most consumers are they can hardly afford to offer any money up as a sacrifice to coöperation. In the second place, most coöperative stores in the United States are small, and cannot, therefore, offer the service in the form of credit, a large assortment of goods, etc., that large private concerns can give. To the well-to-do classes this service seems desirable. But to the poorer classes it is not so vital. However, this merely emphasizes the fact that the coöperative store—when successful—is not a panacea for all retail ills, but only a supplement to the retail system.

Questions and Exercises

1. Why have coöperative clubs confined their purchases mainly to staples?
2. Is a coöperative club more likely to succeed in buying under the direction of a local retailer than through a full-time manager? If so, why? If not, why?
3. Are foreigners more likely to succeed in buying cooperatively than native Americans? Why?

4. Can college students coöperate more easily than laborers or farmers? Give reasons for your answer.

5. Outline the relative advantages and disadvantages of a long-term contract applied to consumer's coöperation.

6. Give an account of the reasons which led the American Federation of Labor to recommend coöperative stores.

7. Aside from the material advantages of consumer's coöperation, what are some of the immaterial benefits? See Harris, *Coöperation, the Hope of the Consumer.*

8. Why not consider the coöperative store a panacea for all our distributive ills?

CHAPTER XVII

CONSUMPTIVE CREDIT

In Chapters XIV, XV, and XVI, the different sources of buying consumptive goods were discussed with the hope of showing the relative advantages and disadvantages of each source. In this chapter, the different sources which provide consumers with credit will be treated with a view of showing, among other things, the relative advantages and disadvantages of consumptive credit, and the merits of the different sources of consumptive credit.

Definition and History of Consumptive Credit.—In many instances, it is very difficult to distinguish productive credit from consumptive credit; and when the differentiation is made it may be only one of degree. Productive credit is the power to obtain productive goods at the present in exchange for promises to pay for them in the future; while consumptive credit is the power to obtain consumptive goods at the present in exchange for promises to pay for them in the future. On the one hand, funds borrowed for productive purposes are usually comparatively large, and in a way self-liquidating; that is, they are generally repaid out of the resources in which they are in-

vested. On the other hand, funds borrowed for consumptive purposes are usually small, and are not generally self-liquidating; that is, they are not usually paid out of the goods in which they are invested. True, because it is impossible for a consumer to repay funds borrowed for a suit of clothes, for example, out of the clothes which he is wearing. Repayment must come out of a property or personal income.

Of all types of credit, consumptive credit is probably the oldest form. In prehistoric times people enjoyed credit without possessing a credit system. Persons successful in the chase, for example, made loans to their less fortunate neighbors. The borrower paid back in kind or in money. No interest was charged. In fact, primitive sentiment against interest-taking was so strong that it later crystallized into law. Such enactments made interest-taking illegal, and imposed severe penalties for interest charges.

But later, with the industrial development, came the approval of interest-taking. It was believed that the borrower who invested in profitable enterprises should share the profits of business by paying interest to those people from whom he borrowed. Once interest was approved for industrial loans, it became a relatively easy matter to consider it good form to receive interest for consumptive loans. Hence to-day, interest-taking is honorable in the minds of most men.

Disadvantages of Borrowing Funds for Consumption.—Borrowing money to buy consumptive goods and services is not without its disadvan-

tages. First, in many instances, it leads to extravagances. When some consumers postpone the time of payment, they purchase articles for which they are unable to pay without great sacrifice. In lumbering, manufacturing, and mining towns, for example, wage-earners have purchased victrolas, pianos, and organs on the installment plan; and, have paid prices which are altogether out of proportion to a wage-earner's income. To this class of people such purchases are, indeed, unfortunate; for in this class each year's living depends upon each year's wage. Moreover, such buying creates an artificial demand for some goods. Forcing these same consumers to pay cash for purchases creates a natural demand for commodities, and better still, compels consumers to adapt their expenditures to their incomes—makes them live within their means.

Second, granting credit for consumptive purposes is likely to lead to higher prices. It is estimated that retailers lose from ½ per cent to 5 per cent of their total sales through uncollected debts.[1] It is assumed by some that retailers must make a fair profit on the goods they sell; and that prices are, therefore, placed high enough to cover credit losses. Hence "consumers who pay their bills pay in terms of higher prices for the goods of those who do not pay their bills."[2]

Third, credit in certain cases narrows the range of choice for goods. If a consumer is given credit at one store, he frequently feels that all his trad-

[1] Hagerty, *Mercantile Credit*, p. 84.
[2] *Ibidem*, p. 92.

ing must be done at that store. Feeling obligated, he does not shop about from store to store as he otherwise would. His wants are not so well satisfied, therefore, as they would be were he to buy when, where, and from whom he pleased.

Moreover, credit virtually compels some consumers not only to buy goods at a given store, but also to sell their produce at the same store. In the South, instances are on record wherein poor tenants have gone in debt at stores for their living supplies, and have given mortgages on their growing crops as security, together with pledges to sell these crops to the merchants from whom the tenants borrowed. "Fortunate is the man who owns the goose that lays the golden eggs; but still more fortunate is he who can take the eggs laid by another's goose." This is practically what some Southern merchants do. They get high interest rates for loans in the form of supplies, charge high prices for the same supplies, and buy farm products below the market price from the same tenants to whom supplies are sold.[1] Of course the risk the Southern merchant takes in granting credit to some Southern tenants is, indeed, great. Because of this practice, some merchants have likely gone into bankruptcy. But when allowance is made for this fact, it is the belief of some students, that too many Southern merchants, through this credit system, profit too much at the expense of tenants. Undoubtedly the thing that is needed is a better credit system.

[1] See Morman, *The Principles of Rural Credit*, Part II, Chapter IX.

Advantages of Borrowing for Consumption.—Despite the disadvantages connected with going in debt for consumptive goods, there are certain obvious advantages. First, buying on credit is more convenient to the consumer than paying cash. The professional services of lawyers, physicians, dentists, etc., are given on the installment plan. To pay these experts at the end of each interview or treatment would be extremely inconvenient. In fact, it would be next to impossible to estimate the value of each separate treatment or interview. So also would it be inconvenient to pay cash for groceries that are ordered by the consumer over the telephone. Certainly, to pay by check at the end of the month for these services and goods is to save time and prevent trouble.

Second, credit in some instances actually promotes saving. A man buys a house; he pays part down in cash, and gives a mortgage for the balance. In some contracts he agrees to pay off his indebtedness by monthly installments; in other agreements by a lump sum at the end of a certain period. In either type of contract, each future payment acts as an incentive for saving. Were it not for the indebtedness, he might spend all his income for passing pleasures—which would surely be unfortunate for him at the evening of life. To those consumers who need a spur for saving, credit therefore acts as one in the accumulation of consumptive as well as productive goods.

Third, credit tones down suffering in a good many emergencies of life. A penniless wage-earner is attacked by disease; and therefore con-

fined to his bed for a time. Credit then comes as the comforter. It provides him with medicine; it furnishes him food; and it relieves his mind of worry about his dependents. In the case of unemployment and accident, credit likewise often soothes the sufferer. And when the unfortunates are honest, as well as energetic, the creditor rarely loses in extending credit for the absolute necessities of life.

Fourth, credit frequently promotes education. A propertyless student who is at once bright and energetic may continue his training in the colleges or universities by the employment of consumptive credit. At the present time, numerous educational institutions loan funds to worthy students. Relatives and friends also aid students in their quest for knowledge. If it were not for such loans for consumptive goods a great many worthy students would be prevented, or at least delayed, in getting academic training. Indeed, many a great man in America can truthfully say: "My present standing is at bottom due to consumptive credit."

How to Build Up Credit.—Assuming that the extension of consumptive credit is advisable under certain circumstances and to certain persons, the question then arises, How can the consumer make his credit good? This interrogation may be answered by discussing the factors creditors consider in making personal loans.

Before extending credit to a prospective borrower, a creditor usually investigates the following factors: (1) character, (2) habits of life, (3)

wealth and earning capacity, (4) financial success, and (5) insurance carried.

To the lender, the character of an applicant for a consumptive loan is more important than the character of an applicant for any other type of loan. This is true partly because the consumptive loan is not self-liquidating, and partly because the applicant may have little or no wealth. Is the man honest? Does he promptly pay his debts? Answers to these questions are wanted. If a customer has deliberately tried to evade paying a debt, he is dishonest and a creditor will rarely lend him a cent. If, without reasonable cause, the solicitor for credit has been delinquent in making payments on loans heretofore, a prospective creditor is very likely to grant credit unwillingly, if at all. If, on the other hand, the customer is honest, and has paid his debts promptly in the past, he will experience little difficulty in getting loans in the future. Information as to the character of a consumer is obtained from retail credit associations, stores, bankers, and various other persons with whom the consumer has had dealings. Every consumer will therefore do well to build a strong character if he expects to enjoy good credit.

However honest a consumer may be, and however prompt he may be in paying his debts, other habits may prevent him from securing loans. Such habits are gambling and extravagant living. If a man is a gambler, he will not be able to obtain as large a loan, other things being equally favorable, as a man who is not a gambler. If a man has

an extravagant standard of life, he will not be able to secure so large a loan, other things being equally favorable, as a man who has a frugal standard of life. Even the style of living of a man's wife and her parents may be investigated before a loan is granted to him. The author knows of such an instance.

An honest, energetic young man one Monday morning asked a banker: "May I get a small loan of $100 for three months?"

The banker shrugged his shoulders and replied: "I am not sure if we can grant it. Money is pretty tight just now. However, call around next Wednesday and I'll let you know." Following the conversation, the banker investigated the style of living of the young man's wife and of her parents. He discovered that the wife had spent rather extravagantly all the money her husband had earned in their seven years of married life; and that her parents had always lived just a little beyond their income.

When the applicant for the loan returned on Wednesday for the decision, the banker said: "I am really sorry, Mr. ———, but we can't accommodate you. Money is awfully tight just now." Later the author was told that the real reason for not granting the loan was the extravagant style of living. Wisdom dictates that consumers have habits, wholesome and conservative.

In importance, wealth and earning capacity stand next. If a man has considerable wealth that is of a liquid nature, he can usually obtain credit, without being asked for what purpose he wants

it. By liquid nature is meant wealth that is easily converted into money. Such securities as most government bonds, stocks, and bonds of reliable and financially strong companies, real estate, and other valuable assets that are tangible fall in this class. This type of wealth is emphasized in order to distinguish it from fictitious stocks and bonds which are so commonly held by Americans and on which they can hardly borrow a cent. Likewise, if a man enjoys a good income he can generally borrow funds readily. Perhaps this is due to the fact that men without great wealth, but with large incomes, are generally professionals like lawyers, physicians, dentists, or industrial experts. As a rule, they have a high sense of honor, and their welfare depends in a large measure upon their commanding the respect of the community, or of individual employers. A mere threat to take legal action to secure payment of their debts is usually sufficient to force payment. However, professional men can afford to take no risk in refusing to pay their debts promptly, because their sense of honor may be lowered, and their good standing in the community impaired considerably by refusing to pay debts promptly. Nor is that all. Creditors do not enjoy making threats or enforcing them. Some creditors prefer to withhold credit. Hence these facts should be considered by professional men who are hoping to enjoy a good credit standing.

The ownership of a home, too, helps a man in obtaining a consumptive loan. If a man buys a home at the proper price, it usually increases in

value. From the viewpoint of security, therefore, it makes a fairly good basis of a loan. Furthermore, a home has a tendency to make its occupant more stable, more dependable. He becomes more interested in his town, and in building up a good name if he owns the home in which he lives. Hence the home-owner is usually a better risk than the tenant.

Moreover, the financial success and the insurance held by the solicitor of a loan are given weight in granting credit. Financial success is considered because it is assumed that a man who has succeeded financially will likely continue to prosper, and will therefore be able to pay his debts. Other things being equal, in proportion to his financial success a consumer can borrow for consumptive goods. Insurance is also taken into account before making a loan because the lender feels that in case the debtor dies or in case his insured property is destroyed, the loan will be repaid out of insurance funds.

In order that the importance of these and other factors might be further driven home to consumers, so that they might build up strong credit standings, the following outline (given on page 260) for the basis of credit is given.

Individuals as a Source of Consumptive Credit.—After knowing the relative advantages of consumptive credit, and how to build up a good credit standing, the consumer is next interested in the sources of credit in order to borrow on the most favorable terms.

One source of consumptive credit is the in-

THE BASIS OF CREDIT[1]

Pertaining to the man.	Pertaining to the business.
a. Record for honest dealing.	*a.* Ratio of quick assets to current liabilities.
b. Personal attributes,	
1. Gambling and drinking tendencies.	*b.* Amount of capital invested and property owned.
2. Political and other "outside activities."	*c.* Earnings of business.
3. Style of living, including wife's social ambitions.	*d.* Character and rate of turnover of stock.
	e. Location of business.
c. Ability.	
1. Common sense and shrewdness.	*f.* Character of the business organization.
2. Education and technical training.	*g.* Insurance carried.
3. Age and general experience.	*h.* Nature and intensity of the competition.
4. Success already attained.	

dividual—a neighbor, or a relative, a friend, or a professional man. Neighbors, friends, and relatives of an applicant for a consumptive loan are frequently in a position to grant it. Students, especially, borrow funds from this source. In securing a loan from individuals, however, there are a few precautions that should be taken. In the first place, the borrower should give a note for his loan and not merely a verbal promise to pay, as many persons do. A note is desirable because

[1] Taken from Moulton's *Financial Organization of Society*, p. 126.

it will eliminate many disagreeable disputes that would otherwise arise. Besides, this is an approved way to transact business; and it should be adhered to as carefully in dealing with relatives, friends, or neighbors as with others. In the second place, the borrower should provide a method that will practically insure the repayment of the loan. Among the ways in which the borrower may do this is that of giving tangible security for the loan. If the borrower has no tangible security, however, he might, as a substitute, offer a life-insurance policy as security. In either case, something more than a mere written or verbal promise would be given. But, of course, it will be contended that most debtors will pay their relatives, friends, and neighbors as soon as they acquire the available funds with which to liquidate. This is, however, the point—perhaps death will prevent repayment. Hence in order to prevent death from interfering with payments, the borrower who may not have a satisfactory estate, might take out an insurance policy; and make the beneficiary the creditor. This is one practical method for even the extremely poor who are physically fit. Quite true, because the poorest person, thus seeking a loan, could procure a term policy by paying a gross premium of only $11.09 per $1000 insurance at age 25 for a 5-year-term policy.[1]

Most other personal loans in this class are obtained from professional men. Their loans are similar to the credit granted by the grocery store.

[1] Huebner, *Life Insurance*, p. 64.

At the end of each month an itemized bill is sent to the debtor. In all cases this bill should be promptly paid unless satisfactory arrangements can be made for an extension of time.

Now, whether or not a consumer should borrow from individuals or other sources is largely a case of relative opportunity and advantage. The borrower should have a single eye for the most favorable terms, which include duration of loan, interest rate, basis of repayment, and security offered. Only through a canvass of all credit sources available can he satisfactorily answer this question.

Banks as Sources for Consumptive Loans.—For consumptive purposes, some commercial banks make loans secured by real-estate mortgages, stocks, bonds, and other collateral, and frequently on the basis of character without asking what uses will be made of the money borrowed. Consumers find that some bankers are very accommodating in this respect. Other bankers, however, are not so anxious to make such loans. These bankers give two reasons for their attitude. First, they say that consumptive loans are generally small and therefore non-profitable. Secondly, they say that most consumers have very little first-class security behind them, and that the risks involved are therefore too great. Owing to this attitude, numerous consumers have been compelled to look elsewhere for most of their consumptive loans.

Loan Sharks.—A moneylender who extends consumptive credit at exorbitant interest rates, on secured or unsecured promissory notes or on the

assignment of wages or salary, is called a "loan shark." The loan shark may be an individual, a firm, an incorporated association, or a joint-stock company. In any event, he usually operates outside the pale of the law. His existence is due partly to the fact that legitimate bankers do not care to grant small consumptive loans; and partly to the fact that states prescribe legal maximum interest rates which are rather too low for consumptive loans.

Most debtors who borrow from loan sharks are in straitened circumstances. It is estimated that 75 per cent of the men who receive such loans are in temporary need, and that 25 per cent want the loans for gambling, intemperance, and vice.[1] Some of the specific purposes to which these loans are legitimately put are: to defray sick and death expenses; to pay advance rentals, moving expenses, interest on mortgages; and to meet holiday expenses. For these objects, it was estimated that $100,000,000 was loaned to consumers in the United States in 1918.[2]

Various interest rates are charged by loan sharks. As a rule, they vary from 10 per cent to 20 per cent a month. In certain cases, however, the rates amount to 500 and even 1000 per cent a year.[3] Clearly these rates are illegal. Then how do the lenders avoid being prosecuted? Generally in this way: the charge is not levied as an interest rate, but instead 50 per cent, let us say, is added

[1] Moulton, H. G., *The Financial Organization of Society*, p. 705.
[2] *Ibid.*, p. 706.
[3] *Ibid.*, p. 705.

to the loan, and this sum is made payable without interest, say, in twelve weekly installments. On this assumption, twelve weekly payments would be required for a loan of $50.

At this point a question may appropriately be asked as to what happens in case a payment is not made. The loan shark has two methods to employ. Where the note is secured by collateral, he simply forecloses. Where the loan is secured by an assignment of wages or salary, he simply threatens to notify the borrower's employer and neighbors. Sharp-tongued women are frequently used as "bawlerouts" for this purpose, in case the threat is carried out. But usually a mere threat will suffice because the borrowers are afraid they may be discharged if their employers find out about the security offered for such loans. This is true, because many employers have ruled that their employees may not assign their wages or salaries.

The loan shark is an evil, but perhaps a necessary evil in some instances. He takes most from him who can afford to spare least. As a consequence, laws are being enacted to eliminate loan sharks. Remedial Loan Associations have been instrumental in getting laws passed that require of the lender state licenses before he grants consumptive loans; and that legalizes an interest rate of 3½ per cent a month. At present more than twenty states have passed such laws. That these laws are effective may be shown by the results of the Small Loan Act of Illinois. It is estimated that this act saved borrowers $7,000,000 in

Chicago in 1919; and that about 200 loan sharks were driven out of business.[1]

Pawn Shops as Sources for Consumptive Loans.—Consumers in dire need also secure small loans from pawn shops. A pawn shop is an institution that advances money on the pledging of personal effects. Perhaps this is the oldest form of banking operation. From time immemorial, individuals in cities have borrowed funds from pawnbrokers. As early as the twelfth century pawn shops were established in Italy. At that time they were religious in character; but to-day they have become institutions of secular relief controlled by the State. In France, there are a great many of these institutions (*Monts de piété*), serving not only many of the poor, but also many of the rich. In this country, pawn shops are also numerous. And to-day, no doubt, the pawnbroker plays even a larger rôle in providing consumptive loans than heretofore. That the nature and size of the pawnbroking business may be partly shown, the following table is inserted.[2] This table shows the volume and nature of one month of pawnbroking in Chicago.

To borrow money from a pawn shop, the consumer must pledge his personal effects, pay interest, and usually a special charge of so many per cent a month. The interest and special charges of course vary widely. In Baltimore the interest rate is 6 per cent a year, and the special

[1] Moulton, *The Financial Organization of Society*, p. 707.
[2] Patterson, *Pawnbroking in Europe and the United States*, March, 1899.

TABLE XVIII

NATURE OF PAWNBROKING LOANS

Article	*Number*	*Amount Loaned*	*Average Loan*
Gold watches	5,160	$40,242.35	$7.80
Silver watches	2,980	5,270.55	1.77
Rings	4,822	34,141.10	7.08
Jewelry	2,276	25,841.34	11.35
Clothing	6,543	11,344.45	1.73
Musical Instruments	356	768.46	2.16
Firearms	596	1,225.50	2.06
Miscellaneous	1,724	5,415.55	3.14
Total	24,457	$124,249.30	$5.08

charge is 2 per cent a month; while in Philadelphia the interest is 6 per cent a year, and the special charge is 5 per cent a month.

Pawn-shop loans generally run 30 days with the privilege of renewals, provided interest charges are kept up. If a loan is not repaid, however, the personal effects pledged are sold after a certain lapse of time. The time element is of course stipulated by law. The better laws which have been enacted provide that two or six months "must elapse after the period fixed for the redemption of the pledge before the effects can be sold."

Now, under certain circumstances, the consumer does very well by borrowing from pawnbrokers. But ordinarily the interest and special charges are thought to be too high. In order that these charges might be reduced, quasi-philanthropic pawn shops are, therefore, growing up. They are known by various names: "collateral loan companies," "workingmen's loan associations," and "provident loan societies." These shops are or-

ganized and financed by men of integrity. And while these institutions are self-supporting, nevertheless they charge relatively low rates for consumptive loans. From such organizations, therefore, consumers may secure loans without having to "pay all the traffic will bear."

Stores and Manufacturers as Sources for Consumptive Loans.—Stores and manufacturers frequently grant credit to consumers for the purpose of buying consumptive goods. Especially is this practice common among dry goods, hardware, shoe, drug, clothing, "gent's" furnishing, grocery, and department stores. This is possible particularly for the country retailer; for he generally known his customers personally. But in the case of the city retailer, the problem is not so easily solved; for he has too many customers to know personally. City retailers have to employ different methods, therefore, to find out the ability and honesty of customers. Some merchants ask the prospective customer who appears for credit for references to other dealers with whom the applicant has had credit relations. Other retailers grant credit on the evidence of honesty gleaned from a short conversation with the credit applicant. Some merchants inquire into the applicant's property holdings before extending him credit. And still other retailers will withhold or extend credit after finding out how the applicant spends his money and where he works. Perhaps, as much or more credit is extended consumers by retailers as by any other class of traders.

Manufacturers also give credit to customers

who buy consumptive goods from them. At times manufacturers grant credit like ordinary retailers, and at times they extend credit on the installment plan. Herein follows a contract used by one manufacturing establishment that extends credit to customers.

CONDITIONAL CONTRACT OF SALE[1]

I, Walter Johnson, of Albany, New York, have this day received from the National Sewing Machine Company, of New York City, New York, the following described property: One National Sewing Machine No. 18768, drop cabinet, ... the value of which is hereby fixed at sixty dollars ($60.00), under the following agreement of conditional sale:

"I hereby agree to pay the National Sewing Machine Company the sum of five dollars ($5.00) cash on signing the contract and the further sum of one dollar ($1.00) each week thereafter, on Saturday of each week, at the First National Bank in Albany, New York, until I have paid the full amount of sixty dollars ($60.00).

"When I shall have paid the full amount hereinbefore provided for, I am to have title and ownership to said property, the said National Sewing Machine Company to have title and ownership therein until all payments have been made in full.

"I expressly agree to use the aforesaid property, during the life of this contract, in a careful manner; and I agree not to remove said property from the premises I now occupy without first obtaining the written consent of said National Sewing Machine Company.

"On default by me in any payment, covenant or agreement herein provided for, the National Sewing Machine Company may, without notice to me, enter my premises where the aforesaid property is located, take immediate and full possession thereof, and after holding the same in any manner for thirty (30) days, all my rights therein or to the possession thereof

[1] Taken from Meyer's *Mercantile Credits and Collections*, pp. 290–291.

or to payments made thereon shall cease absolutely, without notice of any subsequent private or public sale, and I hereby waive all claim for damages or otherwise against said National Sewing Machine Company on account of any removal or attempted removal of aforesaid property.

"I hereby agree to pay any and all charges, expenses and attorneys' or collectors' fees incurred in taking possession of the aforesaid property or in collecting any balance due from me hereunder.

"In Witness Whereof, I have hereunto subscribed my name to this agreement in duplicate, on this ..... day of ....., 1918, one copy of which was delivered to and retained by me."

Witnesses: .....
(*Purchaser*)

..... Accepted:
NATIONAL SEWING MACHINE CO.,

..... By .....

The Morris Bank.—The Morris Bank extends consumptive credit on mere character. To get a loan from this institution, the applicant furnishes information relative to his money income, and character. Besides, he is required to get two indorsers, having respectively as large incomes as his own. He repays the loan on the installment basis; that is to say, he pays $1 a week for each $50 borrowed. Interest is, however, taken out in advance. Hence instead of receiving, for example, $50, he obtains but $47. For a delinquency in payment, he is immediately notified and fined five cents. And when the delinquency covers a week, his co-makers are notified; and if he then fails to catch up again, his indorsers must take his place in liquidating the debt. This plan first

took root in the South some sixteen or more years ago; but it has since spread to a number of large cities throughout the country.

Student Loan Funds.—Colleges and universities are still another source of consumptive credit. Worthy students in need are advanced funds by colleges and universities so that they may continue their educational careers. The Oregon Agricultural College, for example, makes this announcement in regard to its loan funds:

LOAN FUNDS[1]

Student Loan Fund.—Through the liberality of friends of the Oregon Agricultural College and through the accumulation of interest on loans, an irreducible student loan fund aggregating $16,500 (January, 1921) has been established. The purpose, as expressed by one of the donors, is "not to induce students to attend school by providing money that can be easily obtained, but rather to aid those who have determined to secure an education and are paying the cost wholly or in part from their own earnings."

The fund consists of the following contributions:

(1) One thousand dollars ($1000) from Hon. R. A. Booth of Eugene restricted to students studying:

(*a*) Agriculture in its various phases, with a view to becoming producers from the soil.

(*b*) Such branches of mechanics as properly relate to agriculture.

(*c*) Home Economics.

(2) Five Hundred dollars ($500) known as the Ashby Pierce Student Loan Fund.

(3) One thousand dollars ($1000) from the College Domestic Science Dining Room at the Panama-Pacific International Exposition, restricted to the use of women students.

[1] Oregon Agricultural College General Catalogue, 1921–1922, pp. 68–69.

(4) Four thousand six hundred dollars ($4600), without restriction, from accumulated interest and from various College organizations, such as Folk Club, Philadelphian and Feronian Literary societies, the Barometer, the Oregon Countryman, the Cosmopolitan Club, the Faculty, the Alumni, the Christian Associations, the Winter Short Course Students of 1914, the Graduating Class of 1915, Chapter A of P. E. O., Portland, and by various individuals, including Mrs. Clara H. Waldo, Portland, Hon. Thomas Kay, Salem, Hon. James Withycombe, and W. D. Wheelwright.

L. J. Simpson Scholarship Loan Fund. The College has received a gift of $2000 from Mr. L. J. Simpson of North Bend, Oregon, whereby five annual scholarship loans of $100 each, continuing throughout the four years of the students' college course, will be awarded to worthy students whose needs justify the awards. The administration of the L. J. Simpson Scholarship Loan Fund is in the hands of the regular Student Loan Fund Committee, to whom application should be made.

The J. T. Apperson Agricultural College Educational Fund. By the will of the late Hon. J. T. Apperson, Regent of the College since its foundation, a fund amounting to between twenty-five and forty thousand dollars is to be a perpetual endowment, administered by the State Land Board of Oregon, for the assistance of worthy young men and women, "who are actual bona fide residents of the State of Oregon, and who would otherwise be unable to bear the expense of a college course at the Oregon Agricultural College." The income from this estate is to be loaned to students at a low rate of interest. Applicants for loans must be recommended to the State Land Board by the President of the College and the State Superintendent of Public Instruction.

Since the founding of the student loan fund at the Oregon Agricultural College in 1911, 997 loans have been granted (up to June 30, 1921). The total amount loaned was $42,938.20; and the average loan amounted to $43.06. The total losses in-

curred during that period were only $318.64, or 0.7 per cent of the loans made.[1]

With one exception, loans to students at the Oregon Agricultural College are administered by a Student Loan Committee, consisting of faculty members. This committee grants loans largely on the basis of character and ability. Before making a loan, it inquires into the scholastic standing of the student applicant, his attitude toward his work, whether he is worthy of a loan, and whether or not his parents or guardian approves of the loan. If the inquiry is satisfactory, then the loan is granted for a period of one year, at six per cent interest, with the privilege of renewals. The interest together with the principal is paid at the expiration of the loan, unless a renewal is granted, in which event interest is paid annually. With a few exceptions, the maximum loan given a student is $100. For security the applicant gives a promissory note.

Life-insurance Companies as Sources of Credit.—Most life insurance companies also act as creditors to their policy-holders. The conditions under which loans are extended may be exemplified by the following quotation:

Loans.—At any time after three full annual premiums have been paid on this policy, the Company will loan, upon the sole security hereof, legally assigned, an amount which, with interest thereon to the end of the policy year during which the application for the loan is made shall be equal to, or at the option of the Holder less than, the loan value at the end

[1] Annual Statement of the Student Loan Committee of the Oregon Agricultural College for the fiscal year, July 1, 1920, to June 30, 1921.

of said year, after deducting any indebtedness hereon or secured hereby, and any unpaid portion of the premium for said policy year. Interest on such loan shall be at the rate of six per cent per annum, payable in advance. The whole or any part of such may be repaid at any time. Failure to repay the loan or to pay interest thereon when due, shall not avoid the Policy, unless the total indebtedness hereon or secured hereby, including interest, equals or exceeds the cash value at the time of such failure nor until thirty-one days after notice has been mailed by the company to the last known address of the Insured and of the person or persons to whom the policy is payable.[1]

Building and Loan Associations.—Building-and-loan associations exist primarily to provide homes for their members. Members may borrow either on the basis of stocks owned in the company or on mortgages. The stock loan is granted up to 85 per cent of the book value of the shares at the time the loan is made. The size of the loan given on the basis of mortgages is determined by an appraisal committee.

This plan makes it rather easy for an individual to buy or build a home. He pays for his home gradually, usually in small installments. These payments are, as a rule, about the size of rentals. This being true, the home-owner saves practically all the money he would otherwise pay out as rent. Many home-owners in the United States have thus been helped by building-and-loan associations.

Conclusion.—Before obtaining a consumptive loan, the consumer should inquire into the different sources from which loans may be procured.

[1] Taken from a policy of the New England Mutual Life Insurance Company.

In deciding which source to choose, he should consider the following factors: the duration and size of loan, the interest rate, the purpose to which the funds may be put, the opportunity for renewals, the security that must be given, and the conditions under which the loan must be paid. This procedure should help the consumer to decide which of all the available sources of credit is the most advantageous to him.

Questions and Exercises

1. From a business point of view, would you expect a banker to lend you money purely on the strength of your character?
2. Give the functions of a retail credit association.
3. Write a historical sketch on some building-and-loan association.
4. Enumerate the points of difference between commercial and consumptive credit.
5. What are the questions asked an applicant for credit by a department store?
6. Is it true that the retailer who extends credit charges higher prices than the retailer who follows the "cash-and-carry" plan?
7. Do professional men ordinarily buy goods on credit because they have not the cash with which to pay or because credit is more convenient than cash payment?
8. Does consumptive credit increase with the advancement of civilization?

CHAPTER XVIII

SAVINGS AND INVESTMENTS

Up to this point of the discussion the consumer's present wants have been largely considered. In this chapter and the following one, methods to satisfy the consumer's future wants will be treated. Now the question is, How can the consumer prepare himself for a fuller life in the future? One way in which he may do this is to save and properly invest a portion of his income. But the consumer will rarely set aside a fraction of his earnings unless he can clearly see that it is more advantageous for him to do so than it is for him to live up to, or beyond, his income. It is the purpose of the author, therefore, to point out some of the beacon lights of saving, some of the advantages of private property as well as to show some of the methods of investing savings.

Advantages of Private Property.—First, private property gives a man the means with which to change positions. If he has sufficient property, he may sell it or use it as a basis of a loan. The proceeds or the loan enables him to transfer himself and family to the new position when opportunity presents itself. Through this use of private property employees annually gain hundreds of dollars that they otherwise could not earn.

Secondly, in the case of accident or illness private property reflects its value in unmistakable terms. A leg is badly broken. To set it properly requires the services of the best physician. These services are costly. Because of this fact, the man with property is decidedly more fortunate than the propertyless man. The one can afford a first-rate physician; the other only a tenth-rate physician. Likewise, the man with property has the advantage over the man without wealth in the event of illness.

Thirdly, private property extends a useful hand to a man who wants additional training. It enables one, endowed with normal brains, to become a physician, a lawyer, or what not. In a word, it often places one in a new position that may be more useful, more congenial, and more remunerative than the old one.

Fourthly, private property provides vacations which invigorate the mind, vitalize the body. Men who work over long stretches of time at a given task become fatigued and consequently less effective. To them an annual vacation is a godsend. It makes them more efficient and more congenial to work with. Hence savings used in this way act as a lever for greater efficiency.

Fifthly, private property gives an employee the alternative to go into business. Many men have become dissatisfied, because of one thing or another, with positions, and have turned to business as an alternative. For them, savings alone made the business opportunity. And it might be added that a good many of these former employees

have become singularly successful as entrepreneurs. It paid them to save.

Sixthly, private property places men and women socially. Whether or not we like it, nevertheless it is true that social standing largely depends upon wealth. Let a person lose both his wealth and position, and he will quickly drift down the social scale into the gutter. Without savings it is more difficult to retain the esteem of others than it is with savings.

Seventhly, private property takes care of the aged. If a person has sufficient property at the evening of life he is practically assured of an income. Such income provides the necessities and comforts of life and insures a respectable burial. Old age alone ought to act as an incentive to save.

Factors to Consider in Making Investments.—After saving a fraction of his income, the consumer is confronted by the problem of investing it. This problem is equally as important as the problem of saving. True, because so many consumers invest in worthless securities from which they never get any return. Their principal is not even given back to them. To illustrate the extent of fraudulent investments in the United States, Professor H. G. Moulton points out that in one year alone the United States government mails were misused to rob investors of some $129,000,000.[1] In transferring vast sums of money, like this sum, from the pockets of the poor to the pockets of promotion companies untold suffering is entailed.

[1] Moulton, *The Financial Organization of Society*, p. 186.

The poor are deprived of the comforts of life; yes, often of the necessities of existence. In some cases starvation stares investors in the face. Misery is heaped upon misery—all due to unwise investments.

Now, while it is impossible to designate what are absolutely safe and reasonably profitable investments, it is possible to lay down certain principles of investments which will, if followed, help to guide investors into proper channels. Among the elements that should be considered in selecting an investment are the following: "(1) safety of principal, (2) certainty of income, (3) rate of income, (4) legality, (5) stability of market price, (6) marketability, (7) appreciation, and (8) diversification."[1]

In commenting on these elements, Professor Lagerquist says in part:

> Any security, to be classed as an investment, must in a measure fulfill all these requirements, though no security will be found possessing them in perfect equality. However, the same elements are not equally essential to all investors, and to pay for what is not needed means a needless sacrifice of income. Also, a demand for an increased ratio of any one of these elements will result in a corresponding decrease in the others. It is absolutely necessary, for example, that the investment of a business surplus have a very high degree of convertibility. But, as greater convertibility means a lower rate of return, it would be unnecessarily costly for the trustee of a widow's estate to place the same emphasis on this element as would the investor of a business surplus. The trustee would then be lowering the rate of return, and also be paying for something the estate does not need.[1]

[1] Lagerquist, *Investment Analysis*, p. 12.

Certain investments will now be discussed, and in considering them, the foregoing principles will be applied as measuring rods.

Real-estate Mortgage as an Investment.—By reason of safety and rate of interest, real-estate mortgages are among the best securities. Bankers, life-insurance companies, and individuals invest in these securities quite extensively. Considering farm mortgages alone, it was estimated in 1920 that the amount of farm mortgages outstanding in the United States approximated $5,000,000,000, with property assessed at $75,000,000,000.[1]

First-class mortgages, as a class, are considered safe for two reasons. First, as a rule they rest on but 50 or 60 per cent of the value of the land, although in some instances, mortgages cover as high as 75 or 80 per cent of the value of the land. In such cases, the mortgages are not safe, and investors should hesitate in buying them. Secondly, mortgages are reasonably secure as a class because over a period of sixty or more years real estate has advanced in price.[2] But, of course, like any other good, real estate fluctuates up and down in different localities during short periods. It is safe to say, however, that real estate in general is more likely to appreciate than depreciate in value because of a growing population. While the mortgagee, as a rule, does not gain financially when land appreciates, his security nevertheless becomes greater.

[1] Lagerquist, *Investment Analysis*, p. 508.
[2] See Taylor, *Agricultural Economics*, p. 212.

As to interest rate, the nominal average interest rate on first-mortgage farm loans was 7 1/15 per cent in the United States in 1915. And these were the average rates in the following states at that time: Alabama, 8.8 per cent; Arkansas, 8.8 per cent; Arizona, 10 per cent; Illinois, 5.5 per cent; Indiana, 5.6 per cent; Iowa, 5.6 per cent; Massachusetts, 5.5 per cent; Minnesota, 6.2 per cent; Montana, 9.3 per cent; Ohio, 5.7 per cent; Oklahoma, 7.2 per cent; Pennsylvania, 5.3 per cent; Texas, 8.5 per cent; Utah, 8.7 per cent; Wisconsin, 5.6 per cent; and Wyoming, 9.2 per cent.[1] Likely the average farm-mortgage rate has been reduced since the passage of the Federal Farm Loan Act in 1916. But even yet some farm mortgages return these high yields. Now, while urban mortgages do not, as a class, bear such high rates, some of them do yield 5, 6, and 7 per cent interest. From the standpoint of interest rate, therefore, the real-estate mortgage is a good investment.

When viewed from the angle of certainty of income, marketability, and stability of market price so much cannot be said for real-estate mortgages. As long as the mortgagors are making money, the mortgagees are reasonably assured certain incomes. But in times of depression, like the present (November, 1921), it is rather difficult for mortgagors to pay interest. This being true, it is well for mortgagees to see to it that strong clauses pertaining to regular interest payments, foreclosure, etc., are inserted in the mortgage.

[1] Morman, *Principles of Rural Credit*, p. 154.

Ordinarily real-estate mortgages are not easily marketed. In the first place, the denomination is generally too high to invite small investors to the mortgage. The popular demand seems to be for a mortgage of five hundred dollars. This denomination obstacle is being overcome, however, by splitting up a mortgage into parts. But this of course involves a little extra expense, and from this viewpoint is objectionable. In the second place, the mortgage is partly at a disadvantage in respect to maturity. Most mortgages in the United States mature in from five to ten years. Hence the investor is, at times, inconvenienced when he looks about every five or ten years for a new mortgage. For every time he reinvests it costs something in time and labor, if not in hard cash. This so-called disadvantage, however, may turn out to be a distinct advantage. When and where interest rates fluctuate rapidly the investor may gain by buying a new mortgage. Particularly is this true when interest rates are climbing. In the third place, mortgages are relatively hard to sell, because they are not standardized like bonds, and do not therefore have a continuous market like some bonds listed on the exchanges. In marketing a mortgage, therefore, the investor may lose slightly, although ordinarily mortgages have a rather stable price.

As to legality and diversification, about as much good may be said of the mortgages as of any other form of investment. Trained lawyers can, and usually do, properly investigate titles and draw up mortgages that are absolutely legal. In fact,

comparatively few mortgagees have lost money by purchasing mortgages because of legality.

Investors may follow the principle of geographical diversification by investing in mortgages covering lands in different parts of the country. This practice is considered safer than tying up all the investor's money in mortgages in one locality. Quite right, because crop failures or bad business conditions are not so likely to cut off the investor's whole income as catastrophes are not present in all places at the same time. However, it is still safer to invest in different fields than in one line. "Do not carry all your eggs in one basket," is a good adage to follow in making investments.

Perhaps enough has been written to indicate that, all things considered, the first-class real-estate mortgage is a good investment. If so, the next point to be considered is valuation of properties. Taking up city properties first, the mortgagee should consider the type of city in which the property is located. Is the city permanent or temporary? In a sense, lumbering and mining cities may be temporary. When the lumber has been removed or when the mines have been depleted around a city, its people may move elsewhere. As a consequence, values in the city may drop considerably. The next factor to consider is the location of the property within the city. Is it in the business section or residential part? What chance is there for a shift in population toward or from the property? The third factor pertains to the nature of the buildings. What is the character of the structures on the property and on adjacent

properties? A fourth question is that of taxation. Is the mortgage taxable? Is the property on which the mortgage rests heavily taxed, and will the mortgagor pay all the taxes and assessments?

Now a word about the factors to be considered in valuing farm properties. In making a physical appraisement of a farm the mortgagee should consider: (1) distance to markets; (2) distance to schools and churches; (3) character of the country roads; (4) acreage, improved and unimproved; (5) the character of the crops grown and live stock kept; (6) nature of farm buildings and equipment; (7) the character of the soil; (8) climatic conditions; (9) the financial statement of the business; (10) the character of the mortgagor; (11) the character of the neighborhood in general.

Investment Bonds.—In this section only United States bonds, state, county, district and municipal bonds, and Federal Farm Loan bonds are treated. The author confines himself to these government bonds because it is thought that the ordinary investor has not the skill nor the time to investigate the merits of industrial bonds. And in the absence of a thoroughgoing personal investigation of industrials, it is thought that the ordinary investor should not sink his savings in industrials.

The United States has issued securities from time to time since its birth. In the main, these securities have been and are considered safe. In looking for the reasons of their safety, we must take cognizance of a combination of favorable fac-

tors which make worthy government securities. Particularly is this true in view of the fact that government bonds are legally weak because of the power a sovereign has to repudiate its obligations.

First, United States bonds are secure, because the people of the United States have, by paying off their obligations from time to time, demonstrated integrity and good faith. Secondly, United States bonds are secure because the government has been relatively stable and therefore in a position to enforce its will. Thirdly, these bonds are safe, because the United States is blessed with rich and varied natural resources which enable the people to pay off their obligations. Fourthly, the safety of these securities is reflected by the credit organizations of the United States. The people have bought practically all United States bonds. Habits of saving and of trusting seem reasonably good, especially in a national crisis like the World War. Sixthly, these bonds represent a safe investment because thus far the national debt of the United States is relatively low in comparison with other countries having leaner resources than the United States. In 1920, the per capita debt of each of the following countries was respectively: United States, $249.38; Great Britain, $817.04; Germany, $589.97; France, $768.11; Russia, $298.61; Austria-Hungary, $967.53; Italy, $408.78; Belgium, $246.67; Bulgaria, $209.86; Japan, $22.14; Turkey, $94.11; Canada, $189.45; and Greece, $105.25.[1]

As for certainty of income, investors holding

[1] Plehn, *Introduction to Public Finance*, p. 352.

United States bonds have no complaint to offer. Thus far the government has generally paid its interest in accordance with its agreements. And as long as the government remains stable, little or no difficulty will be experienced in obtaining a certain fixed income from United States bonds.

The rate of interest on United States bonds, however, has varied from 2 to 8 per cent. In 1798, the United States government floated bonds in Holland. These bonds paid a nominal rate of 8 per cent interest, the highest rate ever paid on United States bonds. In 1891, United States bonds were issued that paid only 2 per cent interest. Even from 1917 to 1919, bonds which paid 3½ per cent, 4 per cent, 4¼ per cent, and 4¾ per cent interest were issued by the United States government. Interest rates on United States bonds, however, are largely governed by the supply and demand for such bonds.

The market price of government bonds has fluctuated appreciably. United States bonds have sold at, above, and below par. The table on page 286 shows the range of fluctuation of such bonds.

In spite of these ups and downs in price, United States bonds are particularly good. For, if the holder keeps them till maturity, he will realize par value. What is still more important, if the investor desires to secure a loan on these bonds, he will find little difficulty in doing so. Bankers consider United States bonds as first-class security.

Now a word about marketability. United States bonds have practically a continuous market. They can be bought and sold nearly any time.

TABLE XIX

LOWEST AND HIGHEST RECORDED PRICE LEVELS OF ALL OUTSTANDING UNITED STATES AND TERRITORIAL BONDS SINCE THEIR ISSUANCE TO DATE (AUGUST 1, 1921) [1]

	Lowest Price	*Date*	*Highest Price*	*Date*
Consol 2s	94	1913	109½	1907
Panama 2s	94¼	1913	105½	1906
Panama 3s	75	1920	104	1916
Conversion 3s	75	1920	103	1916
Old 4s	104	1919	139½	1902
Hawaiian, Porto Rican, Philippine 4s	78	1920	109	1913
D. C. 3.65s	94	1920	107	1913
Liberty 3½s	86	May, 1920	102.50	Aug., 1918
Liberty First 4s	83	" 1920	98.40	Jan., 1918
Liberty Second 4s	81.40	" 1920	100.02	Oct., 1917
Liberty First 4¼s	84	" 1920	99.00	" 1918
Liberty First-Second 4¼s.	86	" 1920	102.00	" 1919
Liberty Second 4¼s	81	" 1920	98.14	Nov., 1918
Liberty Third 4¼s	85.80	" 1920	99.10	May, 1918
Liberty Fourth 4¼s	82	" 1920	98.10	Nov., 1918
Victory 3¾s	94.60	" 1920	100.48	June, 1919
Victory 4¾s	94.70	" 1920	100.04	" 1919

[1] Childs, "United States Bonds," *Annals of the American Academy of Political and Social Science*, Vol. LXXXVIII (March, 1920), p. 46.

From different angles the strength of the market for such bonds can be shown. First, National banks and Federal Reserve banks are required by law to make investments in United States bonds in order to take advantages of certain banking privileges. This regulation has sustained the bond market noticeably in the past. Secondly, when the Liberty loans were launched, approximately eighteen million persons subscribed for Liberty and Victory bonds. Hence the bond market was widened in a telling way. Thirdly, of the eighteen

million original bond-holders, all but about 25 per cent have disposed of their bonds, marketed them since subscribing for them. While it is true that many of these original bond-holders have lost money in selling their bonds, these sales nevertheless indicate practically a continuous market.

In conclusion, it may be said that United States bonds represent one of the best investments in the entire world. To the ordinary investor these bonds should appeal, for in addition to the quality of security, of marketability, and of a fair rate of interest, they are issued in denominations which can be taken. The denominations may vary from $20 to $50,000, or even higher if special authority be granted by the Secretary of the Treasury of the United States.

Other Government Bonds.—The bonds issued by other political units of the United States are generally considered splendid investments. While they are not so safe as United States bonds, they are nevertheless safe enough for most practical purposes. Rarely have our states, counties, districts, or municipalities repudiated their obligations—so rarely, in fact, that the instances are negligible. And likely cases of repudiation will be even fewer in the future than they have been in the past. Our local governments are becoming more stable as time comes and goes. But in spite of this apparent safety, investors will be working in the light of wisdom if they look up the past history of a local political unit before investing in its bonds. Small investors should play safe—absolutely safe whenever and wherever possible.

As for yields, state, county, district, and municipal bonds are really superior to United States bonds. This is true, because the former types bear a higher rate of interest than the latter type.

In another respect, however, national bonds have an advantage over state, county, district, and municipal bonds. The nationals are more easily marketed than the locals, because the former bonds have a wider market than the latter bonds. An investor may partly overcome this disadvantage, however, by buying bonds issued by a widely known state, county, district, or municipality. Such bonds have a wider market than less known securities possess, although not so wide a market as national bonds have.

Federal Farm Loan Bonds.—Like the foregoing government bonds, Farm Loan bonds represent a worthy investment. These bonds rest on first-class farm mortgages, covering 50 per cent of the appraised value of the land and 20 per cent of the permanent insured improvements. They are issued by Federal Farm Land banks. At present the denominations are: $40, $100, $500, $1000, $5000, and $10,000. Interest on these bonds is paid semiannually, May 1, and November 1, at any Federal Farm Land bank.

The investor may buy either coupon or registered bonds. Either type bears 5 per cent interest, and is redeemable at par after ten years from date of issue. These bonds are, moreover, exempt from Federal, state, municipal, and local taxation.[1] They may be ordered through the sec-

[1] Treasury Department, Federal Farm Loan Bureau.

retary-treasurer of any national farm loan association, through any Federal Land bank, or from the Federal Farm Loan Board, Treasury Department, Washington, D. C.

These bonds are safe, bear a fair rate of interest, can be used as the basis of a loan, and ought to be reasonably easy to market as soon as normal conditions prevail. All things considered, investors will find these securities attractive.

The Annuity as an Investment.—The annuity is a relatively safe, but uncommon, form of investment. It is an agreement made by an insurance or some other guaranteeing company, with a person designated as the annuitant. For a cash consideration paid by the annuitant to the company, the company agrees to pay the annuitant a specified sum of money, say, once a month or once a year so long as the annuitant lives. The annuity is protection against a hazard; namely, "the outliving of one's income." It is based on the probability of death. Hence the annuity yield is graduated according to age. The older the annuitant, the sooner he is likely to die; and as a consequence the yield per dollar invested will be higher than it would be for a younger annuitant.

To some aged people particularly, the annuity appeals. For example, take a man sixty-five years of age who has $15,000. If he were to invest this sum in gilt-edged bonds paying 4 per cent interest, he would receive an annual income of $600. This may not be sufficient to support the old gentleman in comfort. If he were to buy an annuity, however, he would receive from a certain company an

annual income of $1,538.10 [1] or about 10¼ per cent interest until he died. Of course this illustrates the simple annuity. There are various other types, just as there are various types of life-insurance policies.

To be more specific, the annuity is attractive to aged unmarried men and women, to aged widows and widowers, to aged parents whose children may be comfortably provided for. It appeals to these people because it relieves them from business worries, from the danger of outliving their incomes; and ordinarily from the results of bad investments. This is generally the case because annuities are among the safest investments. They are issued by insurance and other companies which are carefully regulated by law.

It may be said, moreover, that when an aged person has no dependents, and is disabled for the active duties of business, he is completely justified in purchasing an annuity, and especially if he has only $10,000 or $15,000.

A Savings Account.—For one reason or another, many people prefer to place their money in a savings account. Such account has certain advantages over investments in mortgages, bonds, and similar securities. A depositor may begin a savings account with one dollar, and daily or weekly add to this amount till he has hundreds of dollars. Each dollar receives the full rate of interest from the beginning of each quarter. It is quite impossible to invest quite as profitably dollar for dollar in any other way. Herein lies an advantage of the

[1] Huebner, *Life Insurance*, p. 113.

savings account. The savings bank will take small deposits. Again, the savings account makes for systematic saving. He who weekly or monthly sets aside a portion of his income in a savings account gives substantial proof of ability, character, faithfulness, stick-to-it-iveness. Then, too, he who periodically calls at a savings bank makes valuable financial friends such as bank officials. They may give the depositor good advice on financial matters. Finally, the savings account is advantageous in that the depositor may get his money quickly. While the bank may reserve the right to require from thirty to ninety days' notice of withdrawal of deposits, it does not always take advantage of this privilege. In normal times, some first-class banks almost invariably waive this condition, and pay the depositor in full when requested. Now the owner of mortgages, bonds, and real estate, while his money may be securely invested, may not be able to cash in without considerable delay. And even when he does convert the security into hard cash, it generally costs him something by way of commission. A broker usually sells the security or real estate; and he of course charges something for his services. The fact that the savings account is available interest-earning cash gives it an advantage over the above-mentioned securities.

One may start a savings account in a regular incorporated savings bank. It is a repository for money, authorized by and organized under special state laws. Most of these enactments require the strictest supervision of savings banks, compelling them to conduct their investment business in the

most conservative manner. Such banks are permitted to invest the depositor's money in only the highest-grade securities: gilt-edged bonds, first-class mortgages, valuable real estate and the like. The bank officers, as a rule, are high caliber, the most conservative and reliable men in the community in which the bank is located. Undoubtedly, the large majority of savings banks are financially sound. But there are, scattered here and yonder, throughout the country a number of weaklings, unsound savings banks. They are inefficiently managed, and sometimes controlled by men who run the bank for their own profits rather than for the welfare of their depositors. These banks are continually failing, and, as a consequence, their depositors lose heavily. To attract depositors, such banks offer more than the current rate of interest. Hence the depositor will do well to discriminate carefully between banks.

Ordinarily, a depositor should not leave his savings with a savings bank unless it has a national reputation for honesty, conservatism—financial soundness. The character of a savings bank can be ascertained from leading financiers, and state banking commissioners. Another check on the safety of a savings bank is the rate of interest it pays. If the rate is more than 4 per cent or possibly 5 per cent, the chances are that the bank is unsafe, or at least speculative. A third check is the size of the bank. While many small savings banks are as solid as quartz, they cannot, however, sustain a loss through defalcation as easily as large banks. Now, no regulation, no law, can com-

pletely guard against defalcation. Hence, when and where other things are equally favorable, the depositor should choose the large savings banks in which to deposit his money.

In addition to savings banks, there are other banks which provide for savings accounts. A great many national and state banks make such provision. Many of these banks are equally as safe as savings banks; pay equally as high a rate of interest; and extend equally as favorable withdrawal terms to depositors.

But before making a saving deposit, the investor should investigate the merits of the various banks. But no matter how safe a bank is, the depositor ought not to put all his savings in it. He should follow the principle of diversification by depositing his savings in several banks. Wealthy people who know how to invest properly never "carry all their eggs in one basket." Their lead is a worthy one for the small investor to follow.

Stock Investments.—Perhaps more small investors have lost more money through stock investments than through any other type of securities. Concerns are easily over-capitalized, stocks are easily watered. Dishonest promoters readily take to fraudulent stocks for the sheer purpose of stealing money from ignorant investors. Just how many hundreds of millions of dollars have been taken out of the pockets of the poor and medium-well-to-do by dishonest schemes no one can calculate. To repeat, "the mail frauds alone that have been discovered and stopped by the Federal government in a single year have reached

a total of $129,000,000." While it is impossible always to distinguish between fraudulent and legitimate stock-selling projects, because the newspaper advertisement, the circular, and the salesman are so uniformly employed, there are nevertheless certain well-known earmarks of a swindle. Professor H. G. Moulton lists the following characteristics of a swindle (although he says some honest plans may have the same earmarks); and comments thus upon them:[1]

1. The argument that the investor should buy immediately because the price of stock will be advanced within a short time. It is obvious that the arbitrary advancing of the price by a promoter does not increase the true value of the security.

2. The argument that the investor should send a remittance by return mail, or, better still, by wire because there are only a few shares left for distribution. Such golden opportunity, however, usually knocks a second time.

3. The argument that the association of prominent men with the company is a guarantee of the merit of the stock as an investment. It is assumed in this connection that the typical investor will not know that most successful business men have lost a great deal of money in stock purchases.

4. The argument that other companies engaged in the same or a similar line of business have made millions from an original investment of little or nothing.

5. The argument that the company desires to place its stock in the hands of very small investors, so that control may not become vested in a coterie of capitalists. A similar argument is that the company desires to permit only a limited number of persons in each state or in each city to buy the stock. Democratic organization and control as a means of preventing the capitalistic octopus from reaping the rewards of the wonderful idea to which the company has the exclusive right is regarded as a very effective selling device. Com-

[1] Moulton, *The Financial Organization of Society*, pp. 186–188.

panies of this sort always delight in the opportunity to enrich people who find themselves in moderate circumstances.

6. The argument that the company has orders and contracts already in sight, or under consideration, or about to be under consideration, which will insure large earnings on the stock issued. It will be apparent, however, that even when a company has such contracts actually in force, the point to remember is that money may be lost as well as made on an agreement to do a certain thing at an agreed price.

7. The argument that the company has assets largely in excess of its stock issue. Mention is seldom made of the offsetting liabilities.

Professor Moulton further points out some of the physical earmarks of swindling promotion literature.[1]

1. A picture of the president of the corporation. He is usually a clean-cut aggressive type of individual, distinctively American in appearance.

2. A picture of a factory or an oil field or of a mine shaft, in some part of which is displayed a sign showing that the photograph is genuine.

3. The adoption of a name that is similar to that of a well-known firm or corporation.

4. Absence of reputable financial or banking support.

5. Testimonials of character by unknown persons with imposing business titles.

6. The listing of high-grade securities in circulars promoting worthless enterprises.

7. Sales on the installment plan. The installment plan is to be distinguished, however, from the partial-payment plan used by many respectable brokers for well-seasoned listed stocks. Investments sales do not usually permit the investor to require a return of the money invested, even in case of fraud. On a partial-payment contract with a reputable broker, however, the investor may order the sale of his stock at market price and the immediate remittance of his balance.

[1] Moulton, *The Financial Organization of Society*, p. 189.

The methods employed by fraudulent, highly speculative, and even conservative concerns to sell their stocks are so effective that it is small wonder that so many people invest in stocks. To illustrate the catchiness of circular advertising, the following illustration, taken from a circular letter used in advertising a Texas Oil project, is here given.[1]

WHAT WILL YOUR ANSWER BE?

When the fortunes made by the investors in the oil fields of North Central Texas have been written into history, when the children and the grandchildren of these investors have been made prosperous and independent and are enjoying the advantages of higher education and world travel which wealth alone can give——

What will be your excuse to your children?—that they do not also have the advantages which a small investment in the world's greatest and probably the last Frontier of overnight Fortunes in gushing oil wells, would have made possible?

When your children, or your grandchildren ask why you, too, did not share in the profits of this, the world's greatest oil boom——

WHAT WILL YOUR ANSWER BE?

Can you tell them that you did not have the nerve?

Can you tell them that you did not have the opportunity?

That might be true if we had not sent you the facts concerning the greatest oil field the world has ever known—it might be true if newspapers and magazines from Maine to California, from the *Saturday Evening Post,* the *Golden Rule, Truth,* and other well-known reliable publications on down to the little local newspapers, had not carried page after page of news of this oil boom that you surely have had a chance to read, giving indisputable evidence that some of the

[1] Moulton, *The Financial Organization of Society,* pp. 192–193.

nation's greatest and quickest small fortunes have been and are being made right now in Texas oil fields.

Can you tell your children, or your children's children that you were a Doubting Thomas—that you stood back and waited while men and women from all over the world with more nerve and courage than yourself bought up all of the available chances to make fortune?

Can you explain to them that you didn't have sufficient ready cash to take advantage of this big Texas oil boom? You might use this reason with success, but our monthly payment plan makes it possible for even the smallest wage-earner to get a share of the profits in this great oil boom, where $100 has so often made a small fortune of $10,000 to $100,000.

Can you tell your children or your grandchildren that you doubted the sincerity of the Trust Company which brought to your notice the chance to share in the profits of the great Texas oil boom?

This might have furnished you with an excuse if we had not sent you the best evidence on earth—evidence written by men and women who live in all parts of the country who have told, in personal letters, of the satisfaction and profits gained by dealing with us and following our recommendations.

The limited number of shares in the Pre-organization Syndicate of the Ranger-Texas Oil Company which you have now a chance to acquire, are, without doubt, the most desirable shares we have ever offered in our entire history, and here is exactly the reason that we say so.

In the first place, this Syndicate privilege is being extended to only a limited and carefully selected few whom we regard as leaders in their community, and you are one of these. By making you a large and quick profit, we will not only get your future patronage, but that of your friends as well.

You can only get the limit to which any one person is entitled, which is 200 shares. The present price is $12 per share, but we cannot guarantee this quotation unless you place your order by wire, following it with the enclosed application.

This application also gives you an option, until July 30th, on double the number of shares that you subscribe for at this time, at only $16 a share. We have every reason to believe that these shares will be selling for at least $25 and possibly

$30 before July 1st; therefore you have a chance to clean up a nice sum of money on your option without investing a cent.

What Will your Answer Be? Have you the nerve and the courage to trust your own judgment this very minute rather than face your children and your children's children with excuses, and get a telegram off to us reserving the number of shares you want? If you have, it may prove to be the turning point in your life.[1]

Because of the difficulty the average small investor must surmount in differentiating sound from unsound stock investments, the author takes the stand that the average small investor should confine his investments to real-estate mortgages, government bonds, savings accounts, annuities, farm lands, and possibly national-bank stocks. The author takes this position in spite of the fact that, generally speaking, there are bigger returns in good stocks on a rising market, like that in the period from 1896 to 1920, than there are in good bonds; and that there are bigger returns in good bonds, as a rule, on a declining market, like that in the period from 1873 to 1896, than in good stocks. It is the obstacle of distinguishing between legitimate and illegitimate or highly speculative stocks which leads, yes, forces the author to this conclusion.

First national-bank stocks, then, are included in the list of safe investments, not because the author feels that they are the only safe stocks, but because they are about the only stocks that can be

[1] The author makes this quotation purposely to show the effectiveness of circular advertising, and not to cast any reflections on the company in question, for this company may be absolutely sound, so far as the author knows.

recommended without a thoroughgoing investigation by specialists to determine their genuineness. And since the ordinary small investor is not a specialist, he is playing safer if he leaves other stocks alone. Besides, it is felt that no man has a moral right to speculate, unless he has sufficient capital to give the speculative project in which he may participate, a fair trial; and then in case of failure have still enough money left to protect his dependents and begin anew in business. How much money should this individual have as a protective fund for his family? The author is willing to go on record as saying not less than $20,000. This amount put aside at 5 per cent interest would only earn $1000 a year—none too much for the average family of five.

As an investment, the value of national-bank stock depends upon the capital of the issuing bank; the quality and quantity of banking business done; and the integrity of the bank officials. Usually, national-bank stock sells at a premium. Ordinarily, it yields from 4 to 5 per cent per annum.

As a rule, national banks are sound because they are organized under, and supervised through, Federal statute. However, national banks fail, although not often. But when a national does go into bankruptcy, the stockholder is liable for double the par value of his stock. Hence, before investing even in national-bank stock, the investor should look into the selling value of the stock he contemplates buying. He should consider its selling value over a period of ten or twenty years.

Besides, he should consult the officers of other banks as to the relative stability of the bank issuing the stock he expects to purchase. If he finds that the bank officials are unanimous in their opinion that the bank in question is sound, and that the stock has been selling above or at par over the stated period, he is generally safe in purchasing the stock.

However safe stock or any other security may be, the investor will be playing safer if he spreads out his investments, say, in mortgages, government bonds, saving accounts, and perhaps in some good real estate. Farm lands as an investment will be discussed in the next chapter.

Questions and Exercises

1. Arrange an interview with some poor man, and get the reasons why he never accumulated wealth.
2. Have a brief interview with some capitalist and elicit the reasons why he became wealthy.
3. In view of the fact that the large majority of the people in the United States are poor, is it just to say, "As a people we are too materialistic." If so, why? If not, why?
4. Give an account of the operations of some fictitious stock agent working in your community.
5. Ordinarily, do rich men have so-called "splendid get-rich-over-night" investments offered them? Why?
6. Outline the chief provisions of the Blue Sky Law in your state.
7. Would a Federal Blue Sky Law eliminate most fraudulent stock companies? What would be the chief difficulties in getting such a law passed?
8. Write a brief historical sketch of the postal savings bank.
9. Write a paper on the growth of saving accounts in the United States. For data use the reports of the Comptroller of Currency.
10. What portion of one's income should be saved?

CHAPTER XIX

INVESTMENTS IN FARM LANDS IN THE UNITED STATES

The author fully appreciates the fact that farm land can hardly be even considered as an investment for the average city consumer. But he feels that under certain conditions, the country consumer might invest in farm lands to advantage. Hence an attempt is made in this chapter to discuss the relative merits of farm-land investments for the benefit of the country consumer.

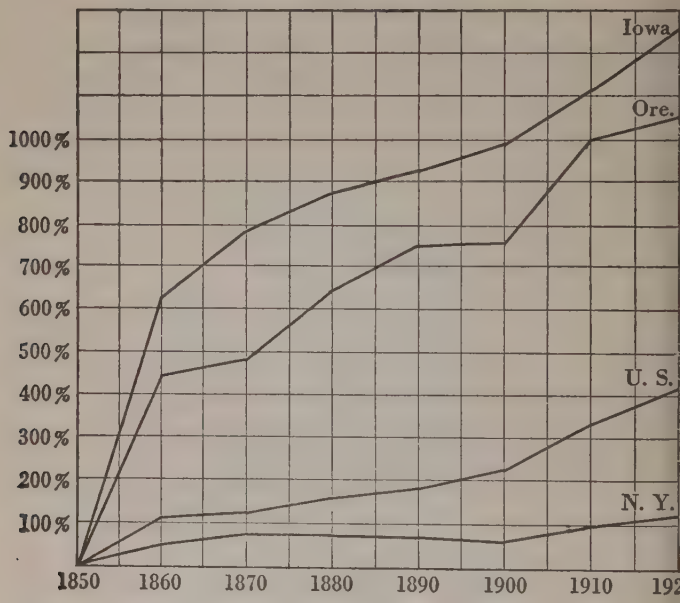
Now, what are the major facts that the country consumer should know before sinking his savings in farm lands? It is the belief of the author that he should know something about general changes in farm-land values in the United States; per acre changes in farm-land values in the United States; sectional changes per acre in farm-land values in the United States; the relative merits of farm-land investments as such; and finally what factors he should consider if he decides to choose a farm as an investment.

Increased Values of Farm Lands and Buildings in the United States from 1850 to 1920.—On Chart I it will be noted that farm lands and buildings have increased in value in the United States, Oregon, and Iowa since 1850, and that they have in-

creased in value in New York, excepting in tw decades. Further, it may be observed that thes advances have been phenomenal.

CHART I

VALUES OF FARM LAND AND BUILDINGS IN THE UNITED STATE OREGON, IOWA, AND NEW YORK FROM 1850–1920.[1]



[1] *Thirteenth Census of the United States, 1910, Vol. V., pp. 8 85, 86, 89. Summary of the Census of Agriculture for the Unite States, 1919 and 1920, p. 6; and data received from Bureau Census, Feb. 7, 1922.*

At this point the country consumer may ask "If I invest my savings in a farm in the Unite States, will it increase in value as rapidly as farn

lands in general in the United States have increased in value?'' This question may best be answered by a discussion of the causes of increased farm-land and building values in the United States from 1850 to 1920. What, then, are the causes for such enhanced values?

Among the causes there are three outstanding ones. First, improved farm land has increased in the United States since 1850. The land area of the country was 1,884,375,680 acres in 1850; and of this area 15.6 per cent was in farms, and 6.0 per cent was improved. In 1910, the total land area of the United States had expanded some, but the area in farms had expanded much more. The total area was 1,903,289,600 acres in 1910; and of this acreage 46.2 per cent was in farms, and 25.1 per cent was improved. In 1850, there were 1,449,073 farms in the country against 6,361,502 farms in 1910. Undoubtedly, the best land in the United States was turned under the plow from 1850 to 1910. These additional increments of improved land raised land values appreciably from 1850 onwards. Secondly, the number of farm buildings unquestionably increased in the United States from 1850 to 1920. Herein lies another reason for rising land and building values. Thirdly, the population of the United States grew tremendously from 1850 to 1920. In 1850, there were fewer than 24,000,000 people in the United States; while in 1920 there were over 105,000,000 people in the United States. This ever-growing population made a bigger demand for land, which

in turn partly caused farm-land values in genera to shoot skyward.

From these discussions, the country consume now knows that it would be impossible for him t invest in a farm, and get such increases in farm land values as those rates registered on Chart I He should know, also, that almost all the available farm-land supply in the United States has bee brought under cultivation, and that new incre ments of farm land will henceforth be improve only at increasing expense, because of irrigation drainage, etc. "Uncle Sam can no longer give u all a farm." Particularly since 1900 have peopl recognized that there is a limited supply of lan in the United States.

But of far more significance to the country con sumer who contemplates an investment in farm lands is the change in the value of farm land pe acre in the United States. This is true, becaus per acre value is the thing he is vitally interested in, rather than total value of farm lands in gen eral. Knowing that the number of farm acre has increased, and consequently total farm-lan values, he now wants to know: Has the value o farm land per acre increased since 1850? If so will it continue to increase in the future? An what are the forces operating on land values pe acre? Answers to these questions may partly en able him to determine whether or not to invest i farm lands. True, for he often seeks the unearne increment, and if there is little chance for suc gain in the future, perhaps he will prefer to plac his savings elsewhere. We shall therefore tur

our attention to a discussion of the value of farm land per acre in the United States.

The Value of Farm Land per Acre in the United States.—It will be noted that Table XX registers an increase in the value of farm land per acre in the United States since 1850, with the exception of the decade 1890 to 1900, and that the greatest advances in value occurred from 1900 to 1920. From these data it may be observed that farm land per acre increased in value for a time, fell in value for a time, and then again advanced. The period of seventy years taken as a whole, however, shows a tremendous increase in farm land per acre in this country.

What have been the forces at work on farm-land values per acre? The forces are many and varied. First, as already noted, the population of the country has grown by leaps and bounds during this period. This alone has increased the demand

TABLE XX

THE VALUE OF FARM LAND PER ACRE IN THE UNITED STATES FROM 1850 TO 1920[1]

Year	*Percentage, Increase, and Decrease*
1850	...
1860	46.5
1870	11.8
1880	4.2
1890	12.0
1900	−7.1[2]
1910	100.0
1920	77.0

[1] Taylor, *Agricultural Economics*, p. 212, and *Summary of the Census of Agriculture for the United States*, 1919 and 1920, p. 6.
[2] Negative quantity indicates a fall in value.

for farm lands, and has therefore enhanced land values per acre appreciably.

Second, the available unutilized farm-land supply, also, has influenced the price of farm land per acre. Farm land expanded more rapidly in the United States before 1900 than it has since that date. Most of the rich plains and valleys in the United States were turned under the plow before 1900. Because of this decreased unutilized farm-land supply, there was a natural tendency for farm land to increase in value per acre from 1900 onward than before 1900.

Third, the change in the value of money, moreover, has registered itself in land values per acre. From 1873 to 1896 money appreciated in value.[1] Decreased commodity prices had a tendency, although offset by other forces, to lower the value of land per acre. Hence it was partly due to this factor that the price per acre of land was kept from advancing as rapidly before 1900 as it has since. From 1896 to 1920, money depreciated in purchasing power. Increased commodity prices, along with other forces, was responsible for increased land values per acre during the last two decades.

Fourth, another force influencing farm-land values per acre is the prestige of the farmer. Prior to 1900 farmers were known by various disrespectful names. "Country Rube," "Clod-hopper," "Hay-seed," and "Moss-back," were a few of the earmarks for toiling farmers. These were

[1] Fisher and Others, *How to Invest When Prices Are Rising*, pp. 18–19.

applied, it may be said in passing, by city folk. But since 1900 the prestige of the farmer has been rising. Urban people respect farmers more now than formerly. To what factors is this newly acquired prestige due? A number of things. Farm boys have demonstrated that they have ability equal to that of city boys. And the higher educational institution has been the competitive ground for this demonstration. Then, too, since 1900 farming has been better organized as a business, thanks to colleges of agriculture, and the United States Department of Agriculture. As a consequence, out-of-date farmers have, in many cases, either improved their methods of agriculture or gone out of business. Better brains command more respect. Besides these tendencies making for higher prestige, there is the tendency of city people to turn farmers. Dr. L. C. Gray and Professor O. G. Lloyd point out the fact that, not only farmers, but also real-estate men, bankers, merchants, commission men, produce dealers, auctioneers, traveling salesmen, government employees, physicians, dentists, veterinarians, capitalists, mechanics, shopkeepers, stock buyers, lawyers, and others bought land in Iowa in 1919.[1] Some of these people purchased land to sell, some, to farm. Buying farm land themselves tends to make city people respect farmers. This greater respect for farmers causes some individuals to buy farm land, which in turn tends to advance farm-land values per acre.

Fifth, better rural-credit facilities likewise af-

[1] Bulletin 874, United States Department of Agriculture, p. 10.

fect land values per acre. In 1916, the Federal Land Loan Act was passed. This new law enabled farmers to borrow money for a term of forty years on the basis of amortization at five per cent interest (6 per cent now). This law, together with other rural-credit laws passed by the states, had its effect on ordinary channels of borrowing. As a consequence, improved governmental and private rural-credit facilities made it possible to buy farm land on more favorable terms than heretofore. This had a tendency to increase the demand for farm lands; and the increased demand had a tendency to increase the prices paid per acre for farm lands, since 1916.

Sixth, war, too, has had its effect registered in farm values per acre. The World War made an abnormal demand for farm products as well as for certain other goods. The abnormal demand shot the prices of farm products skyward. The high prices of farm products caused farmers to value their farms more highly than formerly, because of the extra profits some of the farmers made in farming. Hence higher prices were paid for each acre of farm land than would otherwise have been paid had there been no war.

Seventh, the fact that a farm gives one a life occupation wherein one can be one's own boss has, in and of itself, some effect on land values per acre. Nearly all unskilled rural laborers in the United States would likely prefer to work for themselves rather than for others. The farm, because it is a business and a home, has a tendency, therefore, to increase its value per acre.

All things considered, will the average acre of farm land in the United States increase in value in the future? While it is always dangerous to make predictions, it seems safe to say that farm land per acre will advance in value—if a long period of thirty or forty years is considered. But during short periods land per acre will likely go up and down in price similar to the price of farm products. The main reason why it is believed that land per acre will advance, if a long period be considered, is that the population of the United States is likely to increase more rapidly than the farm-land supply. In such an event, there will be a greater demand for farm land, which will increase its value per acre. Hence it is probable that if other things are equally favorable, the country consumer might invest in farm land and get an increased increment in the future.

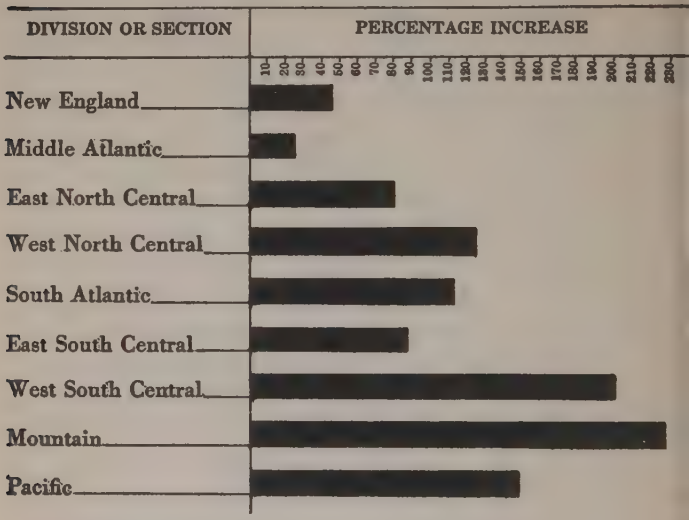
The next question which the country consumer may be interested in is that of variation of farm-land values per acre in different sections of the United States. He wants to know where farm land per acre is advancing most. He wants to know the factors that offset such advances per acre. Why? Because these facts, while they are not always trustworthy, will, nevertheless, help him partly to determine in what sections of the country farm land per acre is likely to advance most in the future. Hence we shall now throw as much light as we are able on this question.

Farm-land Values per Acre in Different Sections of the United States from 1900 to 1910.—Chart II indicates the rise of the value of farm

land per acre in different sections of the United States from 1900 to 1910. In unearned increment, it made considerable difference in what section of the country one bought farm land in the decade

CHART II

INCREASED VALUE OF FARM LAND PER ACRE IN DIFFERENT SECTIONS OF THE UNITED STATES FROM 1900–1910.[1]



[1] *Thirteenth Census of the United States, Vol. V., p. 43.*

of 1900 to 1910. The value of farm land per acre increased 40.5 per cent in the New England section; 24.5 per cent in the Middle Atlantic section; 79.6 per cent in the East North Central section; 123.1 per cent in the West North Central section; 110.3 per cent in the South Atlantic section; 86.7

per cent in the East South Central section; 197.4 per cent in the West South Central section; 222.4 per cent in the Mountain section; and 146.1 per cent in the Pacific section.

As increased land values per acre differ in different divisions of the United States, so also do increased land values per acre differ in various localities within a given state. What, then, are the causes for variations in farm-land values per acre in different localities? Among the causes may be mentioned the following:

First, a change in the population of a given locality affects its land values per acre. Increase the population in a community, and, other things being equal, the farm land per acre will increase; decrease the population in the same community, and, other things being equal, the farm land per acre will decrease in value. A change in the character of the population in a community may also be reflected in land values. Some country districts are as dead as the Great Napoleon is now; while other country districts are as much alive as the Great Napoleon was in his warring days. In a live community, where the people are especially well known for their dairying, their fruit-growing, their colt-raising, or what not, the price of land per acre is generally higher than in a dead community, where the people are particularly well known for their sleepiness. If the sleepy district can be awakened, can be made to excel in some phase of farming, land values per acre will likely thereafter shoot ahead in that district. But before buying land in a graveyard (for

other purposes than burial) the purchaser of land will do well to consider whether or not he can resurrect the inhabitants. For upon their resurrection will partly depend the size of his unearned increment, or increased land values per acre.

Second, the amount of money seeking investment in a given locality may likewise influence land values per acre within and about the district. Where funds are seeking investment, there people may be desirous of buying land. If so, their mere bidding for land increases its value per acre. On the other hand, where little or no money is seeking investment in farm land, the mere lack of bidding for farm land has a tendency to depress land values per acre.

Third, irrigation and drainage affect the value of farm land per acre noticeably. For example, take the land under the Umatilla Project. Near Hermisten, Oregon, farm land was selling for as low as $4.50 an acre in 1903; in 1906, when farmers knew that water was going to be available for farms in and about Hermisten, this same land sold for $175 an acre—and this latter figure was exclusive of water rights to the land.[1]

Fourth, the introduction of a new crop or livestock enterprise has an influence on farm-land values per acre in the given community wherein the introduction takes place. To illustrate, in Cache County, Utah, and in Franklin County

[1] The Report of the Committee on Irrigation and Reclamation of Arid Lands in the United States, the Section on the Umatilla Project.

(formerly part of Oneida County), Idaho, the sugar beet and the condensery were largely responsible for farms doubling in value in certain sections of these two counties during the first decade of this century.

Fifth, improved transportation facilities also may affect farm-land values per acre. Where railroads or good automobile roads are extended from a city out into the country districts, there is a tendency to bring the outlying lands into competition with the suburbs of the city. The fresh-milk area of the city expands, the fresh-vegetable area grows, and the fresh-fruit area enlarges. As a consequence, the supply of fresh milk, vegetables, and fruits increases, and thereby reduces the prices paid for these commodities. Now, these lower commodity prices may be reflected in lower land values per acre where the land is near the city, and higher land values per acre where the land is more distant from the city. The statement seems paradoxical, but in reality it is logical. Why? Because, while fresh produce sells at a lower price than formerly, the farmer more distantly situated may be able, nevertheless, to make more money by selling fresh farm products than he could out of selling other products that formerly he had to produce, because of the want of transportation facilities. His lands may, therefore, increase in value per acre in spite of the lower prices paid for fresh produce, while the lands located near the city, unless offset by other forces, may decrease in value per acre.

Sixth, still another factor entering into farm-

land values per acre in different localities is civic, educational, and religious improvements. In these modern days, when children are rightly considered liabilities instead of assets, most rational parents are particularly interested in providing intellectual and religious training for their offspring. As a result, people tend to gravitate around a community possessing good churches, and good schools, and good social centers. It is this tendency that later reflects itself in higher land values per acre. People will willingly pay higher prices for farms "close in" to such valuable improvements.

Having pointed out that farm-land values per acre in the United States will likely advance in the future, if a long period is considered, and that, in the light of the past, they will likely change at different rates in different sections of the country, because of the different forces affecting them, we shall now be interested in applying the fundamental principles of investment to farm lands.

Farm Lands as an Investment.—Considering the safety, legality, and appreciation principles of investment, we may say that farm land, when properly purchased, is a fairly good investment. In Table XX, it was seen that farm land per acre in the United States increased in value from 1850 to 1920, with the single exception of the decade of 1890 to 1900. In the light of the past, investments in farm lands seem safe enough. Of course, during each decade of this period some farmers bought land at relatively too high a figure, and other farmers had to sell farms under

unfavorable conditions, and some few farmers bought fictitious land titles. Each of these classes undoubtedly lost money—and much of it. Yet the majority of farmers who bought and sold farms during this long period unquestionably found their principal safe. In truth, increased land values per acre actually enhance the original principal in most instances.

But when the principles of marketability and certainty of income are applied to farm-land investments, so many favorable statements can hardly be made. Land is not a liquid investment, as are some bonds and stocks. This is true because lands never have a continuous market, as have some bonds and stocks that are listed on the exchanges. In times of prosperity, farm lands are fairly easily disposed of. In times of depression, farm lands are frequently a drug on the market, difficult to sell at any reasonable price.

The income of the farmer also fluctuates with the times. On the one hand, when the prices of farm products are relatively high, the farmer usually gets a fair return on his land investment. On the other hand, when the prices of farm products are relatively low, the farmer usually gets a low return on his land investment. But in either good or bad times the farmer is rarely, if ever, assured of a certain fixed annual income from his land investment as he is from a government bond. The vicissitudes of farming are too numerous to insure a certain fixed income to the investor in farm lands.

As to the principle of interest rate, the rate of

EXHIBIT A—SUMMARY OF THE FARM BUSINESS OVER A PERIOD OF FIVE YEARS, 1913-1917, VERONA TOWNSHIP, DANE COUNTY, WISCONSIN.[1]

AVERAGE OF 60 FARMS

	1913	*1914*	*1915*	*1916*	*1917*	*5-yr. ave.*
Farm area	149	150	146	147	147	148
Crop area	81.5	80.9	80.2	80.2	80.7	80.7
Months of labor	22.1	22.9	21.5	22.9	23.0	22.5
Number of cows	15.6	16.3	16.5	17.7	18.6	16.9
Number of brood sows	7.6	7.6	6.7	6.2	6.6	6.9
Number of work horses	4.6	4.7	4.7	4.8	4.9	4.7
Investment	$17,307	$17,596	$17,451	$17,803	$18,305	$17,692
Receipts	$1,961	$1,841	$1,858	$2,560	$3,278	$2,300
Divided as follows:						
Sales of crops	81	57	44	74	69	65
Dairy products	826	830	913	1,287	1,743	1,120
Cattle	236	265	322	360	388	314
Hogs	647	547	463	700	911	654
Other stock and stock products	122	102	75	68	77	89
Misc. labor, rent, wood, etc	49	40	41	71	90	58
Expense	882	906	917	1,043	1,288	1,007
Divided as follows:						
Hired labor	143	194	170	183	197	177
Family labor	192	184	175	232	271	211
Repairs	71	71	70	83	91	77
Rough feed	11	3	12	18	28	15
Concentrates: Feed	94	88	122	106	192	120
Taxes and insurance	141	135	138	153	170	147
Depreciation	102	104	109	117	125	111
Misc. current expenses	128	127	121	151	214	149

Farm income	1,079	935	941	1,517	1,990	1,293
Interest on investment at 5 per cent	865	879	873	891	915	885
Labor income	214	56	68	626	1,075	408
Value operator's labor	401	429	443	479	575	465
Per cent on investment	3.9	2.9	2.9	5.8	7.7	4.7
Farm income	1,079	935	941	1,517	1,990	1,293
Value unpaid family labor	192	185	175	232	276	211
Family income	1,271	1,120	1,116	1,749	2,266	1,504
Family living from farm	351	356	342	388	525	391
Milk production per cow, lbs.	4,300	4,550	4,775	4,600	4,350	4,500
Price of milk per cwt.	1.23	1.12	1.16	1.58	2.16	1.46
Price of hogs " "	7.36	7.36	6.51	8.72	15.73	9.14
Crop yields, per cent of 5-year ave.	1.15	1.04	.80	1.09	.93	1.00

[1] Wisconsin Bulletin, No. 300, of the University of Wisconsin, p. 7.

income on farm land investments varies considerably. A few figures, taken from different farm surveys, may be of interest at this point.

EXHIBIT B—THE TOTAL NET INCOME FROM THE AVERAGE OF 309 IRRIGATED UTAH FARMS IN 1914: [1]

5 per cent interest on average capital of $11,886.....	$594
Average farmer's labor income	541
Value of farm products consumed by average farm family	600
11.625 per cent of $7,482, increase in value of average irrigated farm land on 309 irrigated Utah farms, 1914	870
Total net income	2,605

[1] Important Factors in the Operation of Irrigated Utah Farms, Utah Agricultural Experiment Station Bulletin, No. 160, p. 47.

EXHIBIT C—FARM PROFITS ON 370 POTATO FARMS IN MONMOUTH COUNTY, NEW JERSEY, IN 1916 [2]

The average labor income for the Monmouth County potato farms was	$842.00
Landlords got a return of 8.3 per cent on their investment, not including the rise of land values.	

[2] Farm Profits and Factors Influencing Farm Profits on 370 Potato Farms in Monmouth County, New Jersey, Experiment Station, Bulletin 294, p. 101.

EXHIBIT D—AVERAGE RETURN ON 112 FARMS IN ANDERSON COUNTY, SOUTH CAROLINA, IN 1918 [3]

The farms made 3.65 per cent on the investment, and after deducting 8 per cent on movable capital, the return on the investment in land and buildings was 3 per cent.

[3] A Farm Management Study in Anderson County, South Carolina, United States Department Bulletin, No. 651, p. 3.

Exhibit A shows that after 5 per cent interest had been deducted on the average capital invested, the average labor income was $214 in 1913; $56 in 1914; $68 in 1915; $626 in 1916; $1,075 in 1917, or

$408 as a five-year average. Considering the high prices of 1916 and 1917, we see that the average labor income of $408 for the five years is surely none too much. In passing, it may also be said that more normal prices would have reduced the average income appreciably.

Exhibit B shows that after 5 per cent interest had been deducted on the average capital invested in the 309 irrigated farms, the average farmer's labor income was $541. This is not a bad income when one considers that in addition the average farm family consumed $600 worth of farm products, and that the value of the average irrigated farm land increased 11.625 per cent or $870.

Exhibit C shows that the landlords received on an average a return on their investment of 8.3 per cent in 1916. This is particularly good in view of the fact that increased land values were not included in the percentage return; and that the average labor income was $842.

Exhibit D shows that the 112 farms in Anderson County, South Carolina, yielded an average interest rate on the investment in land and buildings of only 3 per cent. This survey was published in 1918. The authors of it considered prices over a period of five years in making up their data.

In conclusion it may be said that farm-land investments are attractive to certain country consumers, and unattractive to certain other country consumers. To the efficient farmer who can operate his farm, and to the wise landlord who can favorably let his farm, farm land is generally a

profitable investment. The interest rate on the capital invested is reasonably high; the labor income is fairly large; and, when the land is purchased at a fair, productive price, the increased land values per acre over a period of twenty or more years are considerable. To the mediocre operating-farmer, and to the inferior landlord, be he either in the city or in the country, farm-land investments are relatively unprofitable. Such is the case, because farm surveys indicate that the poorest farmers either "break even," make but little, or actually lose money in farming. To illustrate, take the farms from which data were collected for Exhibit A. The authors of this survey, Dr. H. C. Taylor and Mr. S. W. Mendum, say in part:

> The number of (Wisconsin) farmers who made a minus labor income in the years 1913, 1914, and 1915 is entirely too great. On the average for five years one out of every six farmers netted a loss ranging from $20 to $598, omitting what the family received from the farm. This would seem to be too high a percentage of submerged farmers, even with war prices in 1916 and 1917, to bring up the average for the 5 years. Yet it must be admitted that under the same conditions more than half the farmers made labor incomes, which, when combined with what the farm furnished the family, put them in a position to get ahead financially year after year.[1]

That farm lands are attractive to certain persons being assumed, the problem that arises concerns what factors should be considered in choosing a farm as an investment.

[1] War Prices and Farm Profits, Bulletin No. 300 of the Agricultural Experiment Station of the University of Wisconsin, pp. 14, 18.

Factors to Consider in Choosing a Farm as an Investment.—Among the many important factors that should be taken into account in selecting a farm the following may be catalogued:

1. The nature of the soil and sub-soil.
2. Irrigation.
3. Drainage.
4. Climatic conditions.
5. The nature and location of farm buildings and fields.
6. What the farm will raise.
7. Water for the home and for livestock.
8. Proximity of markets.
9. The average profits the farm has made over five or ten years.
10. Civic, educational, and religious improvements in the nearest community.
11. The character of the inhabitants in the farm neighborhood.

Of the factors the average profit the farm has made over a period of five or ten years is the most vital one. When this profit, or more strictly speaking this economic rent, is found, then the formula given by Dr. H. C. Taylor may be used to help determine the present value of the farm.

The simple mathematical method of finding the "sum" is to divide the annual value, that is, the net rent, by the rate which "reflects the prevailing premium on the present." If the net annual income derived from a piece of land is six dollars per acre, and the rate of discount is five per cent, the present capital value of the land would be one hundred and twenty dollars per acre. One hundred and twenty dollars

is, then, the amount of money which, if let at five per cent, would yield an annual income of six dollars.[1]

That this simple method of dividing the six-dollar net rent by the prevailing rate of discount to find the capital value of a piece of land is equivalent to finding the sums of infinite series of prospective net annual three-dollar rents discounted at the same rate may be demonstrated as follows:

The present value of a dollars due in t years if the interest be compounded annually at the rate r would be $\frac{a}{(1+r)^t}$ since X dollars compounded at rate r would give $X(1+r)^t$, and if $X(1+r)^t = a$ then $X = \frac{a}{(1+r)^t}$. If then the net income of a farm be a dollars a year its value would be expressed by the equation:

$$V = \frac{a}{1+r} + \frac{a}{(1+r)^2} + \frac{a}{(1+r)^3} + \frac{a}{(1+r)^4} + \text{ad inf.}$$

This is an infinite "geometrical" progression with first term $\frac{a}{1+r}$ and ratio $\frac{1}{1+r}$. The limit of the sum of such series is $\frac{\frac{a}{1+r}}{1-\frac{1}{1+r}}$ which reduces to $\frac{a}{r}$. We have then the formula for the value: $V = \frac{a}{r}$ which is the ordinary method of capitalizing rent.[2]

Now while this simple mathematical method will not always give the prices at which farms actually sell, because of other factors which enter into the prices of land, it will nevertheless give an approximate worth based on productivity, and may thereby keep sentiment from playing too large a part in buying farms.

[1] Taylor, *Agricultural Economics*, pp. 205–206.
[2] *Ibidem*, p. 206.

Questions and Exercises

1. How many people in the United States have investments in farm lands? For the answer see the United States Census, 1920.

2. Find out the different prices at which some farm has changed hands in your community, and then calculate its increase in value from the beginning to the present.

3. Ordinarily should a farmer have all his money tied up in farms? If so, why? If not, why?

4. If a farmer only made 3 per cent on his investment, after all expenses were deducted, wages included, would it pay him to continue farming? Why?

APPENDIX

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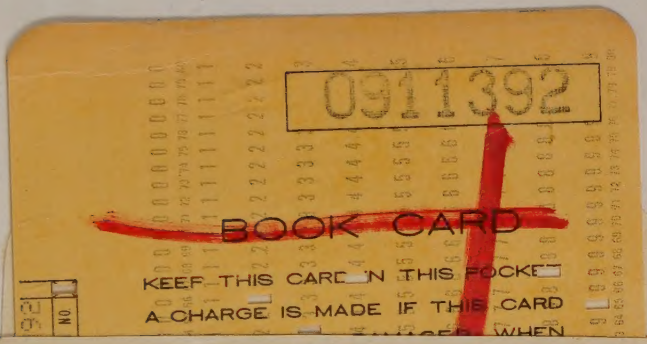

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